



**Hutchison** Telecom  
Hong Kong Holdings



Connect to  
the **Future**  
2012 Annual Report



# Contents

2	Corporate Information
3	Highlights
4	Corporate Profile
6	Shining Achievements
8	Key Financial Information
10	Chairman's Statement
12	Operations Review
	Mobile Business
	Fixed-line Business
24	Management Discussion and Analysis
28	Group Capital Resources and Other Information
30	Risk Factors
32	Environmental, Social and Governance Report
38	Information on Directors
45	Information on Senior Management
48	Report of the Directors
58	Corporate Governance Report
73	Independent Auditor's Report
75	Consolidated Income Statement
76	Consolidated Statement of Comprehensive Income
77	Consolidated Statement of Financial Position
79	Statement of Financial Position
80	Consolidated Statement of Changes in Equity
81	Consolidated Statement of Cash Flows
82	Notes to the Consolidated Financial Statements
129	List of Principal Subsidiaries
131	Financial Summary
132	Information for Shareholders

# 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 & Group Managing Director*

### 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, 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

LAN Hong Tsung, David *(Chairman)*

FOK Kin Ning, Canning

CHEONG Ying Chew, Henry

## COMPANY SECRETARY

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

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

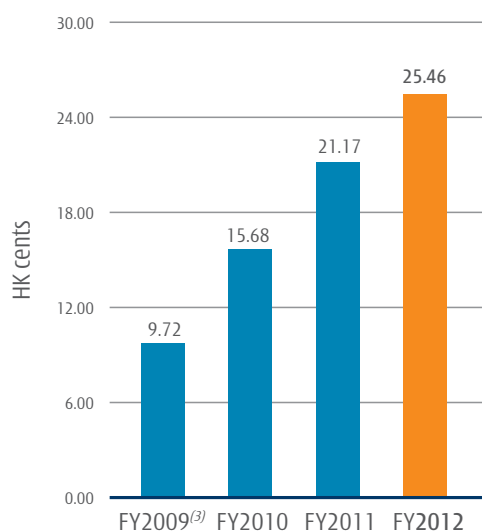
Standard Chartered Bank (Hong Kong) Limited

# Highlights

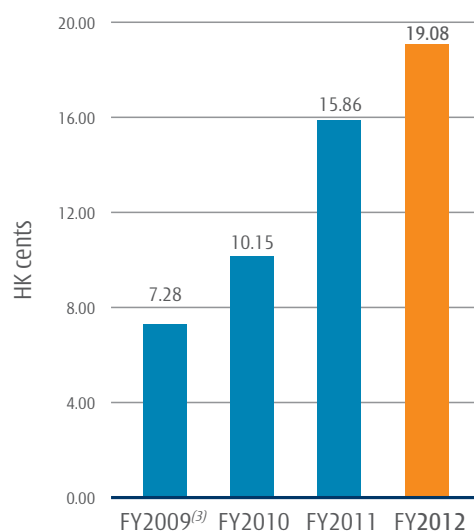
	2012 HK\$ millions	2011 HK\$ millions	Change
Consolidated turnover	<b>15,536</b>	13,407	+16%
Consolidated EBITDA <sup>(1)</sup>	<b>3,020</b>	2,611	+16%
Consolidated EBIT <sup>(2)</sup>	<b>1,738</b>	1,432	+21%
Profit attributable to shareholders of the Company	<b>1,227</b>	1,020	+20%
Earnings per share (in HK cents)	<b>25.46</b>	21.17	+20%
Final dividend per share (in HK cents)	<b>13.03</b>	10.70	+22%
Full year dividend per share (in HK cents)	<b>19.08</b>	15.86	+20%

- Turnover of mobile business was HK\$12,383 million, of which service revenue amounted to HK\$5,482 million. EBITDA and EBIT were HK\$2,100 million (+23%) and HK\$1,485 million (+25%) respectively.
- Turnover of fixed-line business was HK\$3,640 million. EBITDA and EBIT were HK\$1,050 million (+3%) and HK\$383 million (+5%) respectively.
- Consolidated EBITDA less capital expenditure on property, plant and equipment was HK\$1,416 million.

## Basic Earnings Per Share



## Full Year Dividend Per Share



Note 1: EBITDA is defined as earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of jointly controlled entities.

Note 2: EBIT is defined as earnings before interest income, interest and other finance costs, taxation and share of results of jointly controlled entities.

Note 3: Hutchison Telecommunications Hong Kong Holdings Limited has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since May 2009.

# Corporate Profile



Hutchison Telecommunications Hong Kong Holdings Limited (Stock Code: 215) is an established integrated telecommunications operator with a solid track record in world-class telecommunications services. We provide leading-edge mobile services in Hong Kong and Macau under the **3** brand and fixed-line services for local and international customers under the **HGC** brand.

We are a member of the Hutchison Whampoa Limited (Stock Code: 13) group. We are included in various Hang Seng indexes, including the Composite Index, Composite Industry Index - Telecommunications, Composite MidCap Index, Corporate Sustainability Benchmark Index, High Dividend Yield Index and Global Composite Index.

## Hong Kong and Macau Mobile Business

We offer GSM dual-band, 3G mobile telecommunications and Wi-Fi services in Hong Kong. **3** Hong Kong entered the new 4G Long-Term-Evolution ("LTE") mobile communications era in 2012, thereby enriching our already-diverse mobile data-centric portfolio with an ultra high-speed and low-latency high definition multimedia platform.

**3** Hong Kong runs unparalleled network infrastructure and benefits from extensive relationships with handset vendors, as well as applications and service providers. This helps us to lead the industry through consumer-friendly mobile applications, innovative offerings and advanced mobile devices.

Our efforts are channeled into constantly enhancing the overall customer experience with innovative mobile data services and applications to meet with ever-changing technology and market trends. Popular offerings include mobile device security management, mobile social networking, movies-on-demand, eBooks and music downloads. All these are provided in the context of top-class customer services that have been awarded international ISO 9001:2008 Quality Management System and ISO 10002:2004 Customer Feedback Management accreditation.

We also provide customers with easy-to-use services while they are overseas, such as an extensive roaming facility throughout various countries and regions, thanks to partnerships with top-tier international operators and membership of a mobile alliance. This allows customers to enjoy value-for-money roaming via our flat-rate roaming daily pass.

In addition, we are one of the mobile telecommunications operators in Macau, providing GSM dual-band and 3G mobile telecommunications services.

As of 31 December 2012, our total mobile customer base in Hong Kong and Macau amounted to over 3.7 million.

## Fixed-line Business

We own an extensive Fibre-to-the-Building and full fibre-optic network in Hong Kong. We run an advanced voice, data and Internet Protocol network with premium routings via submarine and terrestrial cables.

We specialise in the provision of telecommunications facilities and instant connectivity on a wholesale basis for overseas carriers in the international carrier and corporate market. Corporations of all sizes, Internet content providers and application service providers enjoy a wide range of international one-stop-shop telecommunications solutions from our portfolio.

Our local wholesale business offers most of Hong Kong's mobile communications operators with a backhaul service. Migration of the majority of local telecommunications operators to 4G LTE service in 2012 boosted demand for leased-line connectivity via our sophisticated fibre-network backbone.

In the corporate and business market, we deliver comprehensive corporate data transmission services to meet the needs of multinational corporations, enterprises of all sizes and the public sector.

The data centre market also forms a crucial part of our fixed-line business. HGC's world-class data centres, accredited with internationally-recognised ISO 27001 certification, offer enterprises a full range of infrastructure services from co-location, cabinets, facilities management, Internet bandwidth and network and device management to operational outsourcing.

In the residential market, approximately 1.6 million households fall within our home-pass coverage and we offer broadband services with speed up to 1000Mbps.

# Shining Achievements



## Corporate

3rd Asia's Best Employer Brand Awards (2012) – Asia's Best Employer Brand  
*Employer Branding Institute, World HRD Congress & Stars of the Industry Group*

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

Corporate Social Responsibility Awards 2012  
*Capital and Capital Weekly*

Hong Kong Most Admired Knowledge Enterprise Award 2012  
*Knowledge Management and Innovation Research Centre of The Hong Kong Polytechnic University*

Top 100 Hong Kong Listed Companies Selection –

- Top 10 – Miracle of the Year
- Top 10 – Stock Price Gainer

*Tencent & FINET*



## Mobile

Customer Service Excellence Award 2012 – Outstanding Customer Service Program Awards - Gold Awards  
*Hong Kong Association for Customer Service Excellence*

e-brand Awards 2012 – The Best of Telecommunications Service (Digital Category)  
*e-zone*

e-Trend Award 2011 – My Favourite Mobile Telecom Network Provider  
*Ming Pao Daily News*

Electronic Appliances Awards – The Most Popular Handset  
*East Touch*

Excellent Services Brand 2011 – Mobility Network Provider  
*Sing Tao Daily News*

HKGGolden IT Brand Awards 2012 – Best Mobile Communications Service Provider  
*hkgolden.com*

Hong Kong Computer Brand Awards 2012 – Mobile Broadband Service (Telecommunications Category)  
*MetroInfo & The Chamber of Hong Kong Computer Industry*

Hong Kong Leaders' Choice 2012 – Excellent Brand of Mobile Telecommunications Services  
*Metro Finance*

Hong Kong Service Awards 2012 – Telecoms Service  
*East Week*

iAwards 2012 –

- The Best Mobile Broadband Service Provider
- The Best Mobile Telecom Service Provider
- The Best Smartphone Telecom Service Provider

*Pixel Media*

International "ISO 9001:2008 Quality Management System" and "ISO 10002:2004 Customer Feedback Management" Accreditation  
*SGS Hong Kong Limited*

Prestigious Corporate Brand Awards 2012 – Consumer Grand Award (Hong Kong Mobile Communications Services Category)  
*Ming Pao Daily News & The Chinese University of Hong Kong*

Service Awards 2012 – Mobile Broadband Service Provider  
*Capital Weekly*

The 7th Hong Kong and Macau Merchants of Quality and Integrity Award (2011-2012) – Telecoms and Communications Equipment industry  
*Guangzhou Daily*

The 44th Distinguished Salesperson Award  
*The Hong Kong Management Association & Sales and Marketing Executives Club*



The Outstanding Brand Awards 2012 – Mobile Network Operator  
*Economic Digest*

Yahoo! Emotive Brand Awards 2011-12 (Mobile/Internet Service Category)  
*Yahoo!*

## Fixed-line

Capacity Awards 2012 – Best Asian Wholesale Carrier: Runner Up  
*Capacity Magazine*

Carrier Ethernet Awards APAC 2012 – Best APAC Carrier Ethernet Service Provider Innovator  
*IIR Telecoms & Technology*

e-brand Awards 2012 – The Best of Telecommunications Network Provider (Corporate Category)  
*e-zone*

HKGGolden IT Brand Awards 2012 – Best Residential Broadband Service Provider  
*hkgolden.com*

Hong Kong Computer Brand Awards 2012 – (Telecommunications Category)

- Commercial Broadband Service
- Residential Broadband Service

*MetroInfo & The Chamber of Hong Kong Computer Industry*

Hong Kong Leaders' Choice 2012 –

- Excellent Brand of Broadband Service
- Excellent Brand of International Telecommunications Service

*Metro Finance*

iAwards 2012-The Best Residential Broadband Service Provider  
*Pixel Media*

Service Awards 2012 – Internet Service Provider  
*Capital Weekly*

The Stevie Awards 2012 – International Business Award (Bronze Stevie Winner: Best New Product or Service of the Year – Telecommunications Service)  
*The Stevies*

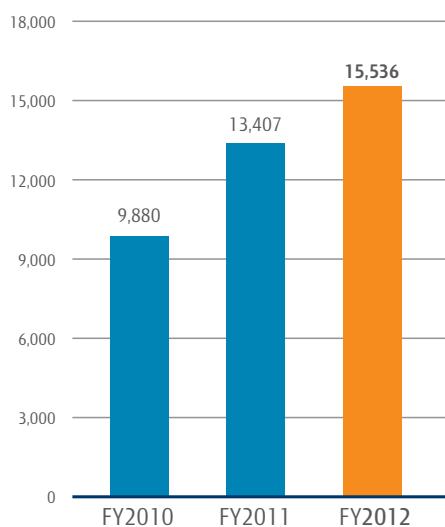




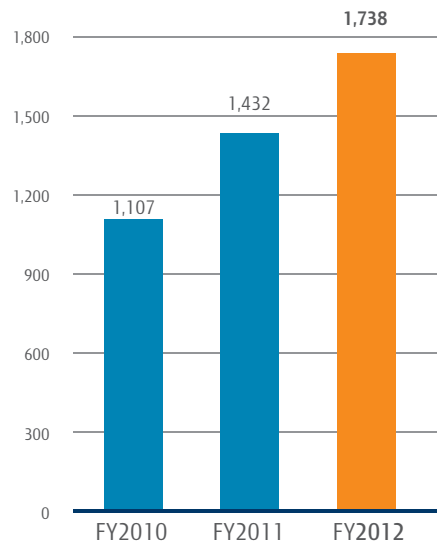
# Key Financial Information

(in HK\$ millions)

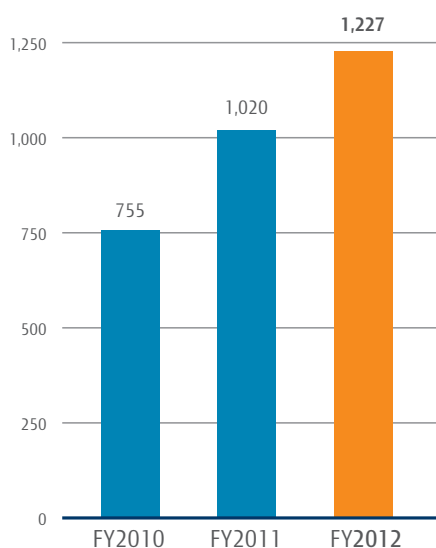
## Consolidated Turnover



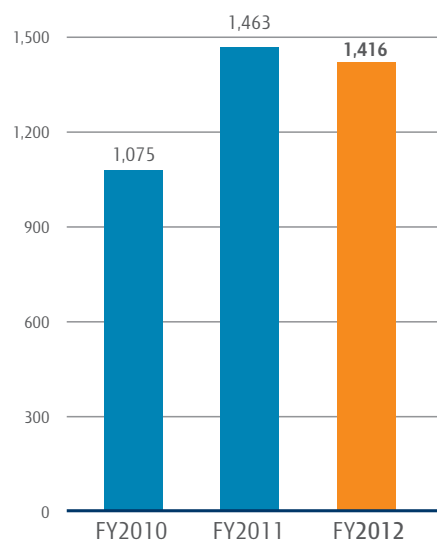
## Consolidated EBIT



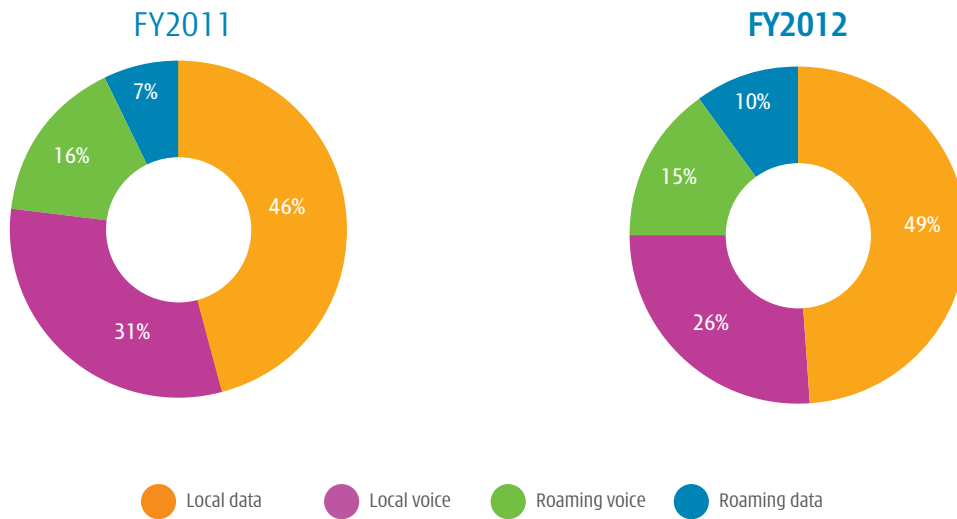
## Profit Attributable to Shareholders of the Company



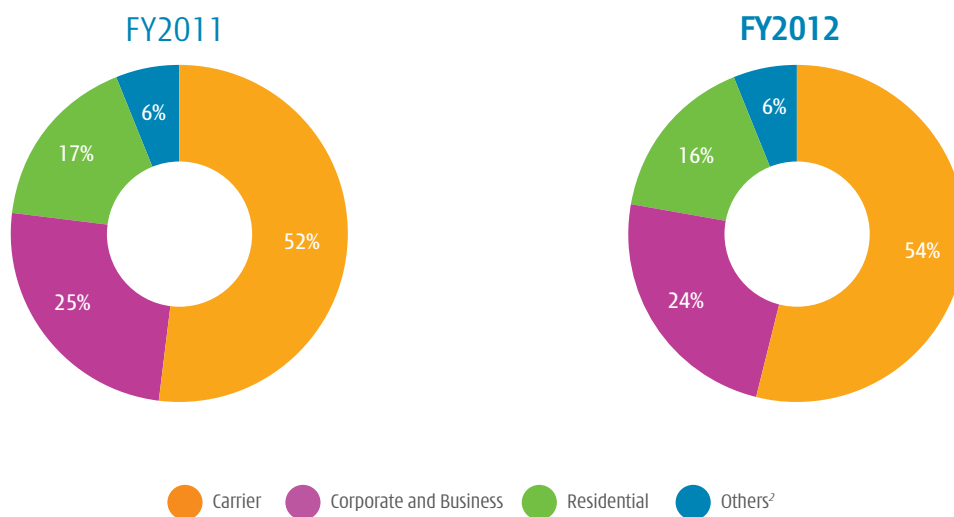
## Free Cashflow (EBITDA less CAPEX)



### Mobile Service Revenue <sup>1</sup> Mix by Segments



### Fixed-line Revenue Mix by Segments



<sup>1</sup> Mobile service revenue excludes revenues generated from hardware sales.

<sup>2</sup> Others include revenue from interconnection charges and data centres.

# Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together the "Group") continued to be a major market player in both mobile and fixed-line businesses. The Group delivered another set of solid results for the year ended 31 December 2012, driven by the ability of the Group as an integrated telecommunications operator to meet the growing demand for smart devices and tailored telecommunications services.

## Results

Consolidated turnover rose 16% from HK\$13,407 million in 2011 to HK\$15,536 million in 2012. Consolidated EBITDA increased 16% from HK\$2,611 million in 2011 to HK\$3,020 million in 2012. Consolidated EBIT increased 21% from HK\$1,432 million in 2011 to HK\$1,738 million in 2012. Profit attributable to shareholders of the Company rose 20% from HK\$1,020 million in 2011 to HK\$1,227 million in 2012. Basic earnings per share in 2012 were 25.46 HK cents, a 20% increase compared to 21.17 HK cents in 2011.

## Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 13.03 HK cents (2011: 10.70 HK cents) per share for the year ended 31 December 2012. The proposed final dividend will be payable on Thursday, 30 May 2013 following approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Tuesday, 21 May 2013, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 6.05 HK cents per share, full-year dividend will amount to 19.08 HK cents per share, representing a 20% increase compared to that of 2011. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company.

## Business Review

### Mobile business - Hong Kong and Macau

Smart device popularity and an upsurge in data usage continued to drive growth in the mobile business. Turnover increased 19% to HK\$12,383 million. EBITDA rose 23% to HK\$2,100 million and EBIT grew 25% to HK\$1,485 million, as a result of dedicated efforts of the Group to cultivate a high-value customer base and a strategic migration towards a non-subsidised handset business model.

As at 31 December 2012, our total customer base in Hong Kong and Macau was over 3.7 million (2011: 3.5 million) and 58% (2011: 53%) of our Hong Kong and Macau 3G and 4G postpaid customers were on smart devices. With continued rollout of our 4G Long-Term-Evolution ("LTE") service, and continued growth in customer demand for quality telecommunications applications and services, we expect a higher percentage of our customers to be on smart devices as the upward migration of our customer base continues. Postpaid ARPU<sup>(1)</sup> increased 7% to HK\$261 in 2012 from HK\$244 in 2011.

Our thorough understanding of customer needs enables us to design exclusive applications and services that ensure users reap the full benefits offered by smart devices. During 2012, we launched a host of practical and personalised initiatives including 3 Super Safe, WhatsApp Roaming Pass and 3 Super Smart Service.

We made investments to enhance network coverage throughout the year such as acquisition of a block of 30MHz 4G LTE spectrum in the 2300MHz band to support long-term business growth. We will continue to modernise our network, delivering wider and deeper coverage at the same time as accelerating spectrum reform activities and deploying new spectrum in the near future. We are determined to uphold our commitment to making sure our customers enjoy a truly excellent and reliable mobile experience.

(1) ARPU is defined as the monthly average revenue per user including a customer's contribution to handset or device cost in a service and hardware bundled plan.

## Fixed-line business

Various segments of our fixed-line business continued to grow during the year, as we accelerated both geographic expansion and customer acquisition. Turnover from our fixed-line business in 2012 was HK\$3,640 million, showing an increase of 7% compared to 2011. EBITDA and EBIT in 2012 was HK\$1,050 million and HK\$383 million respectively, increasing 3% and 5% compared to 2011.

In international business, we continuously explore new markets and extend network reach which has involved forging new partnerships across continents while deepening existing ones. Our network strength and global reach form the cornerstone of our market position as a leading one-stop-shop service provider. Back in Hong Kong, our wholesale business is on the rise, driven by soaring demand for bandwidth in particular from local carriers as a result of the 4G LTE launch.

On the corporate front, our business enjoyed healthy growth as we introduced more new Information and Communications Technology services and products. We have joined forces with globally-renowned specialists to deliver world-class cloud computing and storage services supported by our state-of-the-art data centre facilities. Our cloud computing and data centre business is well-prepared to meet the needs of corporate customers. Drawing on years of experience and strong partnership support, we are ideally poised to take the lead in the development of cloud computing in the local market.

Turning to the residential sector, customers are looking for higher bandwidth connectivity and place greater value on tailored services. We launched an array of attractive offers including Android TV Box and Android K Box. We are in the vanguard of transforming household broadband service from mere provision of bandwidth to the offer of a whole new and exciting experience in home entertainment, featuring innovative and popular applications.

## Outlook

Evolving technology has driven advancement in networks and devices to facilitate the exchange of information with improved speed, ease and convenience. As a leading integrated telecommunications operator, we are in an advantageous position to benefit from the trend of increasing data exchange and usage and to capitalise on future opportunities.

We have demonstrated a track record of growth and delivering sustainable returns, having laid a solid foundation for our operations with advanced network infrastructure supplemented by strong financial fundamentals. We are committed to seeking out opportunities to enhance service offerings for our customers and continue to invest in network projects in a disciplined manner to increase return to our shareholders.

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, 19 March 2013

# Operations Review Mobile Business



3 brand continues to be one of the major operators in data market in Hong Kong and Macau. We provide our Hong Kong customers with the benefits of faster 4G LTE technology through our comprehensive mobile network. This not only opens up fertile opportunities for further growth and will add impetus to 3's success in the tireless delivery of innovative high-speed data and device offerings.

Turnover and EBITDA in 2012 increased 19% and 23% respectively to HK\$12,383 million and HK\$2,100 million. This performance was driven by persistent demand for best-selling smart devices and keen customer interest in our evolving data services as well as tailored value-added initiatives.

### Market Leadership

The total number of 3 customers in Hong Kong and Macau reached over 3.7 million as at 31 December 2012, of which 3.3 million were 3G and 4G customers. Smart device users represented 58% of our 3G and 4G postpaid customers in Hong Kong and Macau.

Our leadership in the mobile data market is underpinned by ownership of a full range of customers and the largest local pool of available radio spectrum as at 31 December 2012, coupled with extensive high-performance network infrastructure.

### 4G LTE Dual-band Network Rollout

We launched our 4G LTE network under the "One Love. One World" banner in a large-scale promotional campaign that caught the market's attention and stoked up demand for ultra-fast data service in 2012. We are able to provide this cutting-edge network service on both 1800MHz and 2600MHz bands, thereby allowing customers to enjoy a high-speed online experience on different devices both in indoor and outdoor locations.

Rapid adoption of smart mobile devices set the scene for our 4G LTE launch and facilitated 4G customer acquisition from outside our established customer base, while motivating existing 3G customers to migrate to higher-end service.

The new technology has sent transmission speeds soaring to as high as 100Mbps. Such unprecedented speed enables

us to deliver a completely fresh customer experience and a new era of mobile entertainment. Our 4G LTE launch exemplifies the 3 brand's image as a mobile users' champion that seeks to provide customers with the best mobile service possible, while reinforcing Hong Kong's world reputation as an early adopter of new technologies and a centre of telecommunications excellence.

### Smart Devices

Mindful of the increasing popularity of Android-based devices, we introduced a succession of Samsung Galaxy handsets, bundled with different attractive usage plans designed to enable customers to enjoy the best possible Galaxy experience.

iPhone 5 as a new model was widely anticipated. In Hong Kong, we arranged sales roadshows in major areas to meet demand from eager buyers.

Rollout of 4G LTE network service was soon followed by a series of 4G LTE-compatible models from vendors such as HTC, LG, Nokia and Sony Mobile. Offering such devices powered by a cutting-edge operating system had the effect of introducing our customers to a brand new wireless experience, while enriching our portfolio of handset offerings.

We also keep up to speed with the tablet trend by making new generation iPad, Galaxy and other popular models available to the local market. Once again, we helped our customers get the best from their devices by tailoring a range of service packages to meet different budgets and needs. The appeal for these tablets, together with the richness of content and applications provided by 3, is expected to make these multi-functional devices increasingly more popular among mobile users.

### Data Services and Innovative Offerings

A strategic partnership struck with Vodafone in January 2012 together with existing connections under Conexus Mobile Alliance, one of the biggest mobile alliances in Asia, help us provide customers with better roaming network service - extended coverage and attractive offers. New destinations were added to our flat-rate data roaming daily pass offer. A move to provide even greater value for our roaming customers





3Shop features a diversity of data-centric mobile services.

led to introduction of 3Roam WiFi in October 2012. This enabled customers to benefit from Wi-Fi roaming without extra charge when using daily pass from more than 600,000 hotspots around the world.

A partnership was formed in September 2012 with WhatsApp, a world-leading instant messaging application developer, enabling 3 to launch the first WhatsApp Data Pack. Leveraging our partnership with international operators, we then took this up a gear by launching the first-of-the-world WhatsApp Roaming Pass. For a fixed daily charge, customers could send unlimited messages and photos via WhatsApp.

In a move to provide our vast smartphone-using customer base with even greater peace of mind, we seized the initiative to be the first local mobile operator to collaborate with Fixmo, a renowned mobile risk management solution developer, to launch a multi-functional mobile security application. 3 Super Safe is an all-in-one application that offers anti-theft, anti-virus and data protection functions. Customers can backup and retrieve data on a secured cloud computing platform and delete data in the handset even when it is lost. The application can also assist owners to trace the device while activating theft-deterrent functions, thereby providing highly-valued security and privacy in this data era.

### Enhanced Digitised Customer Experience

Our customer services at 3Shops, the 3Teleservices Centre, 3Mobile Device Service Centre and 3Experience Workshop were awarded international ISO Quality Management System and Customer Feedback Management accreditation. The accreditation represented a significant milestone in our journey to customer service excellence. In fact, our customer-centric philosophy is part of a commitment to provide a convenient, caring and comprehensive service, while



4G LTE network service provides transmission speeds up to 100Mbps.



3 Hong Kong provides 4G LTE network service on 1800MHz and 2600MHz bands.

constantly exploring new channels to increase interaction with customers.

Introduction of the My3 application now provides a convenient iOS and Android-compatible one-stop mobile customer service platform on an “anytime, anywhere” basis with a function that alerts customers to local data usage levels. More interactivity was added with 3iChat to any Hong Kong user that facilitates dialogue via interactive text. 3iChat is also accessible through the My3 application, which offers timely assistance to customers wherever they may be.

We are bringing more values to our customers through the introduction of 3Concierge. Selective corporate customers can enjoy our concierge services through a 24-hour hotline to address various travel needs from accommodation and transportation to medical and emergency services. Customers can also enjoy a variety of lifestyle services such as dining, shopping and golfing assistance.

### Strong Sales Presence

Soaring popularity of multi-functional smartphones and tablets inspired 3 Hong Kong to open the 3Smart Service Station. Powered by our advanced 3 Super Switch service, customers can entrust their devices to our well-trained

personnel for data transfer across different operation systems in an encrypted manner. 3 Hong Kong also established 3Mobile Device Service Centres to give iPhone and BlackBerry customers a one-stop-shop facility that offers comprehensive information on mobile devices, professional technical support and a repair service. Customers are able to expand their understanding of the diversity of mobile applications on offer by attending the 3Experience Workshop. Customers can also visit our 3 Apps Corner in 3Shops for recommendation of the latest mobile applications. Presented in QR code, customers can simply scan on the code with their devices and start downloading fast and easy.



3 Hong Kong launches the world's first WhatsApp Data Pack.



**One Love. One World**  
in partnership with Vodafone and Conexus

3 Hong Kong launches 4G service under the “One Love. One World” banner in a large-scale promotional campaign.





3 Hong Kong throws a sales party to celebrate iPhone 5's entry to the market.



A 3MallFan membership recruitment campaign helps boost customer loyalty.

Increasing the number of customer contact points to meet growing demand for data products and services has led to 3 Hong Kong being able to boast the largest local telecommunications retail presence. This involved launch of futuristically-designed 3Shops presenting a brand new image and providing an array of services supported by helpful consultancy.

Our 3Mall online sales channel offers services such as express delivery and extra discount on handsets. We also launched the 3MallFan membership recruitment campaign in November 2012 to boost customer loyalty. This includes a scheme by which bonus points can be redeemed for handsets and accessories, which has the effect of encouraging repeat purchases.

### Far-sighted Capacity Planning

Ongoing network improvement projects, such as cell-site coverage enhancement and data centre capacity expansion, along with acquisition of spectrum, have served to deliver a superior overall customer experience.

Our transmission backhaul connectivity was upgraded to Gigabit Ethernet in order to support greater network capacity to cope with an ever-rising volume of data traffic and continued evolution of mobile broadband services accessible to smart devices. Refarming of the 900MHz band from 2G to 3G technology and deployment of newly-acquired 900MHz 3G spectrum also increased our 3G capacity.



The 3Smart Service Station enables customers to transfer data in an encrypted manner.



"3 Super Safe", a multi-functional mobile security application, offers anti-theft, anti-virus and data protection functionality.

On the 4G LTE front, our deployment of 1800MHz and 2600MHz band spectrum is serving almost all major areas in the territory, offering data speeds up to 100Mbps. Simultaneous deployment of 4G LTE in these two frequency bands enhances mobile broadband capacity and facilitates better indoor and outdoor coverage including locations such as commercial buildings and shopping arcades, which significantly enriches the overall user experience. The move also positions us well to capitalise on the growth opportunities ahead and maintain a sharp competitive edge.

Rollout of new Fair Usage Policy in February 2012 represented a step towards better capacity management and resource planning, with the result that we are now able to serve a greater number of customers with better services in terms of transmission speed.

In fact, anticipation of exponential growth in demand for mobile broadband service prompted us to acquire 30MHz spectrum in the 2300MHz band in early 2012. This additional valuable resource will serve mobile business using 4G LTE network technology with a better mobile broadband experience.

## Macau

Mobile data was a key growth driver in 2012, which also saw accelerated deepening of smartphone penetration based on customers upgrading handsets and new customers joining the 3 Macau fold.

A series of iPhone 5 sales galas featuring specially-tailored offers and premiums was staged in early November 2012 and met with unprecedented response. A number of other newly-launched handsets were also introduced for customers eager to join the smart device trend.

Migration from 2G to 3G within our Macau customer base continued smoothly throughout 2012 and close to 100% by the end of the year. Fast-evolving user behaviour sparked greater demand for high-speed data services in the year under review, thereby increasing volumes of data traffic. 3 Macau responded by expanding network capacity as well as refarming spectrum to cope with customer growth and steepening data requirements.

## Outlook

Our 4G LTE network rollout, in conjunction with ever-rising data usage demands, amounts to a power source that will propel growth into the future while helping us to satisfy high-worth customers.

These demands and drivers call for greater capacity and ongoing network modernisation, all of which are attributes that will keep 3 at the very forefront of the local mobile communications industry as we move into the future.

# Operations Review Fixed-Line Business



An ongoing quest for network excellence and total customer satisfaction continued when turnover and EBITDA of Hutchison Global Communications Limited ("HGC") grew 7% and 3% respectively to HK\$3,640 million and HK\$1,050 million. During 2012, HGC invested HK\$725 million in infrastructure and new technologies, representing 20% of fixed-line turnover.

Fibre-to-the-Building network provides the ideal transport system for an array of telecommunications services ranging from voice and data transmission to solution-based offerings and international connectivity. All these serve a growing customer base that includes local and international carriers, multinational corporations and small and medium enterprises ("SME(s)"), as well as local households.

## International Business

In 2012, HGC footprint expanded to include new markets around the world, based largely on local penetration strategy via direct investment, as well as co-operative arrangements with overseas carriers, in addition to ongoing enhancements to the quality and variety of our product portfolio.

The quality of our international Internet network was recognised during the year when it was ranked among the world's top-30 IP networks in an assessment involving more than 10,000 competitors around the world. This industry recognition has been earned through years of development, resilience and optimisation effort, especially in terms of increased number of Internet routes.

Relentless efforts to explore the potential held by new markets resulted in HGC becoming the first foreign telecommunications company in form of co-operation with local parties to provide international data and voice services in Myanmar. This milestone served to remind the international carriers and business communities of HGC's ability to meet the demands of emerging markets with premium grade services.

As well as serving Asia, Greater Mekong Sub-region, and well established markets in Europe and the Americas, HGC turned its attention to other regions holding business potential during 2012. The move resulted in inclusion of markets

such as Mongolia, Nepal, Afghanistan, Papua New Guinea and Sudan via co-operation with local carriers - reinforcing our "carriers' carrier" image among telecommunications operators, Internet service providers, Internet content providers and corporate customers.

Voice interconnections increased to more than 340 carriers, while direct mobile connections now include 170-plus operators throughout more than 88 countries. We also provide video coverage in 58 countries via 160 carriers.

HGC has earned a reputation for being one of Asia's leading international telecommunications players, thanks to an innovative approach to expansion in both horizontal and vertical horizon. From a horizontal perspective, we make full use of Hong Kong's status as a regional telecommunications hub to expand around the world. This is complimented with regional hubs such as Singapore for Southeast Asia, Los Angeles and New York for the United States of America,

London for Europe and Africa region. Vertically, we continue to develop HGC's service portfolio and increase value to different segments of customers, such as content providers, mobile network operators and content delivery network providers.

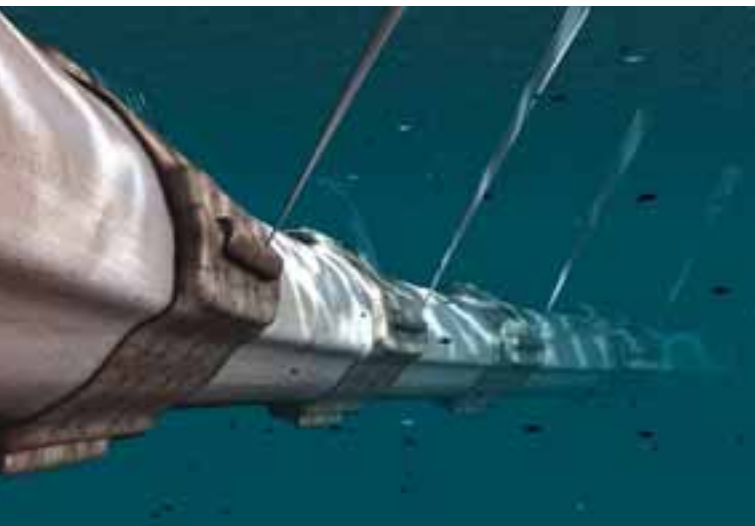


During 2012, we developed IP Packet Exchange service to help mobile operators meet explosive demand for data roaming traffic generated by the trend towards heavy data use among mobile end users. This is based on an IP network platform that interconnects with mobile service providers to deliver all IP services - including voice, signaling and mobile data - and support 4G LTE networks with IP-based applications and service.

Our close attention to detail in serving the needs of corporate customers prompted us to expand our co-location service by establishing additional Internet data centres ("IDC"). These have been provisioned in close proximity to customer organisations in the interests of efficient IT-outsourcing and easy monitoring. As part of our strategy to address different vertical industries - and with an emphasis on our IDC capabilities - we have focused on developing the content provider market. In addition, further expansion in data centre footprint and capacity is underway to manage demand from our international corporate and carrier customers.



HGC's local Fibre-to-the-Building network provides an ideal transport system for an array of services.



Our extensive international network offers ample submarine and terrestrial cable capacity.



We make use of Hong Kong's status as a telecommunications hub from which to expand around the world.

We also focus sharply on equipping our customers with unique value-added services. A prime example was launch of a one-stop-shop Carrier Network Extension service which is a convenient and low-cost solution to help our carrier customers to expand their markets in timely fashion.

In alliance with Amsterdam Internet Exchange ("AMS-IX") - the biggest Internet exchange ("IX") in the world - HGC launched AMS-IX Hong Kong, a first regional platform arrangement and a neutral world-class IX designed to raise Hong Kong's profile as a major Asian IX hub and boost regional traffic. The move opens up more than 560 international networks to end users, who will benefit from optimised Internet performance.

HGC launched Blue City as a neutral platform to address the local and international co-location, demuxing and interconnection requirements of carriers.

### Local Carrier Business

HGC offers a full range of connectivity solutions. In addition to traditional services like wholesale local data leased line, our thorough understanding of customer demand helps us to devise services like Metro Ethernet connection, Gigabit Ethernet links and low latency Gigabit Access connections which are well-regarded and sought after by our customers. Our expertise and superior infrastructure allow us to serve the most sophisticated customers from local mobile operators to international and local carrier customers alike.

We are well-equipped to consolidate our position as the wholesale market leader for mobile backhaul business with the advent of 4G LTE service. Our Gigabit Access Network service, which is able to provide bandwidth of up to 1000Mbps per mobile base-station, will no doubt help our customers to cope with the robust bandwidth demands generated by the smartphone trend.

## Corporate and SME Market

### Banking and finance industry, public sector and SME community

Turnover for local corporate and business market grew 6% to HK\$891 million. Private and public sector organisations benefit from a full range of standard and bespoke services that meet large-scale needs in the areas of voice, broadband, connectivity and IT solution.

One of the 2012 highlights was the launch of MetroNETX, the new generation of HGC MetroNET connectivity. MetroNETX delivers great value in supporting mission critical data transmission in banking, trading and other financial services, plus real-time applications such as real-time video conferencing.

Hong Kong's SME community continues to benefit from expansion of our coverage, and broadband upgrades in buildings, to enable provision of 1000Mbps service. We saw increasingly more cloud computing applications launched to suit SMEs - a trend set to gather pace as these enterprises migrate desktop applications to private and hybrid cloud arrangements, which in turn fuels demand for bandwidth.

### Education sector

HGC has been serving Hong Kong's primary and secondary schools with high-speed, symmetrical broadband since we pioneered to build a fibre network specifically for the education sector since 2001. This solid foundation was reinforced when we launched 1000Mbps broadband service to meet the ever-rising demands of teachers and students alike.

The year under review saw HGC eduCloud - an integrated e-learning cloud application platform dedicated to schools - join forces with Kaspersky Labs Asia Limited ("Kaspersky"), a world leading IT security provider. This alliance, provided a cloud-based network protection solution exclusively for Hong Kong schools. HGC eduCloud's range of top-class e-learning applications for schools has been steadily enhanced since launch in 2011 - and, with Kaspersky, will now provide even better network security, more control over computer usage and greater cost savings on security upgrades.

## Data Centre Business

HGC has worked in close collaboration with technology leaders such as Dimension Data, Microsoft and Oracle to deliver premium-grade cloud computing solutions that meet the unique needs of Hong Kong's private and public sector organisations.

Our well established and continued expanding tier 3+ grade data centres in Hong Kong Island and the New Territories have been accredited with ISO 27001 certification and offer services that include co-location, facilities management and disaster recovery suitable for organisations of all types and sizes. Local and multinational customer organisations have been benefiting from our expertise in data centres with our site diversity, high-speed interconnection links and experience make us the obvious choice for corporations looking for a one-stop IT solution.

The combination of our extensive Fibre-to-the-Building network and world-class data centres enables HGC to offer a complete, secure and reliable carrier-grade cloud computing service.



HGC eduCloud provides enhanced network security for schools.



HGC continues to build on its network capability.

## Residential Market

Turnover for residential market recorded at HK\$584 million during 2012. Provision of high-speed broadband service continued to be a primary focus which our customers were able to enjoy Internet-access speeds ranging from 100Mbps to 1000Mbps. Another highlight of the year was large-scale residential rollout of Gigabit Internet service based on Fibre-to-the-Home technology. Progress to date means our broadband coverage now amounts to more than 1.6 million home-passes.

The 3Home Broadband brand has become synonymous with fast and reliable network service coupled with superior and innovative value-added offerings. A prime example was introduction of the Android TV Box, which took home entertainment to a new level. The result is home TV enjoyment of a broad range of multimedia content and applications from 3Home Broadband and Google Play, heralding a whole new broadband multimedia experience.

To enrich our service portfolio, 3Home Broadband launched another exciting offer of 3Home Karaoke exclusively powered by the Android K Box. With this home broadband karaoke service, customers can enjoy nearly 1,000 pop hits at home by simply connecting the Android K Box to a home TV and our high-speed broadband. Customers transform their homes into a karaoke parlour and can make video recordings of karaoke performances and share via social networks.



HGC's data centres have been accredited with ISO 27001 certification.



## Outlook

Looking ahead, we will strive to transform ourselves from a conventional capacity provider to an all-round solution provider. In addition to bandwidth, we are developing a host of advanced services that can satisfy our customers who are looking for quality and cost-efficient IT services.

We will continue to build on our network capability, while encouraging greater numbers of carriers and multinational corporations in membership countries to connect with the rest of the world with focus on content and Internet services.

Continued migration to 4G LTE mobile communications will increase demand for our backhaul service - which connects local mobile operators, thereby adding significant impetus to our growth in the local carrier market.

We also plan to tap the potential held by other emerging markets, where effort will be channelled into promoting HGC's "one-stop Information and Communication Technology solution shop" image among telecommunications operators, Internet service providers, Internet content providers and corporate customers.

HGC is also extremely well positioned to play a major role in freeing private and public sector organisations from decades of costly IT practices by providing them with cloud computing and data centre services.

At home, our aim is to provide our customers with broadband and entertaining multimedia services, while continuously improving the overall customer experience via speed and service upgrades.



Residential customers enjoy a variety of entertainment multimedia services from 3Home Broadband.



Android TV Box takes home entertainment to a new level.



# Management Discussion and Analysis

## Financial Review

Consolidated turnover grew 16% from HK\$13,407 million in 2011 to HK\$15,536 million in 2012. Mobile and fixed-line service revenue increased 2% from HK\$8,468 million in 2011 to HK\$8,635 million in 2012. Higher-value smart device sales made a significant contribution to hardware revenue, which increased 40% from HK\$4,939 million in 2011 to HK\$6,901 million in 2012. Cost of inventories sold grew in line with increased hardware sales, rising 40% from HK\$4,663 million in 2011 to HK\$6,508 million in 2012.

Total operating expenses, excluding cost of inventories sold, decreased from HK\$7,312 million in 2011 to HK\$7,290 million in 2012. The decrease was mainly due to the reduction in customer acquisition costs which fell from HK\$1,155 million in 2011 to HK\$708 million in 2012, as we placed a greater focus on migrating our customers to higher-value mobile services and migration towards a non-subsidised handset business model. The savings in customer acquisition costs were partially offset by 5% inflationary increase in operating expenses and 14% increase in staff costs due to increase in staff size and inflationary impact. In addition, depreciation and amortisation increased 9% from HK\$1,179 million in 2011 to HK\$1,282 million in 2012, as a result of capacity and spectrum expansion.

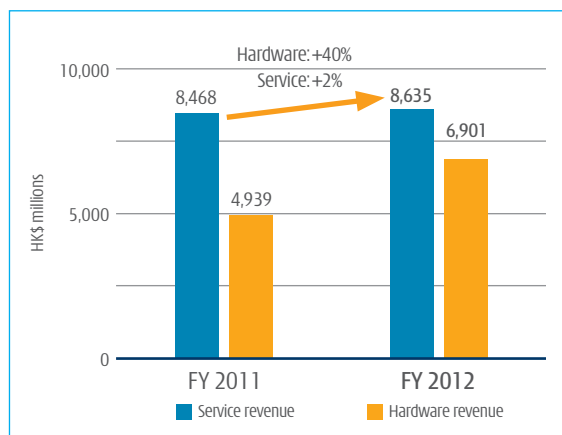
Consolidated EBITDA rose 16% from HK\$2,611 million in 2011 to HK\$3,020 million in 2012. Consolidated EBIT grew from HK\$1,432 million in 2011 to HK\$1,738 million in 2012, an increase of 21%.

Gearing ratio, calculated by dividing net debt by net total capital, was 24% (2011: 26%) as a result of repayment of borrowings. Interest and other finance costs increased from HK\$124 million in 2011 to HK\$166 million in 2012 mainly as a result of the overall increase in prevailing market interest rate.

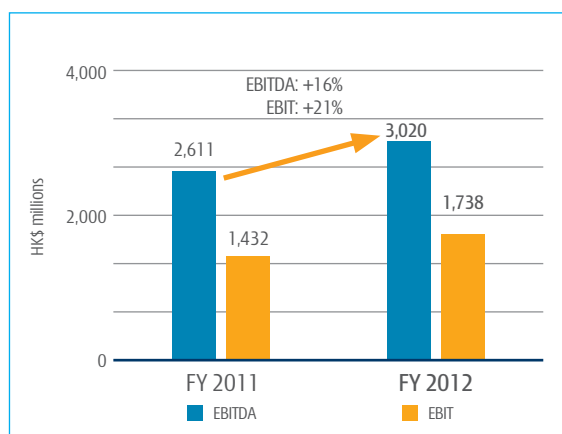
Share of losses of jointly controlled entities in 2012 stood at HK\$3 million, compared to HK\$4 million in 2011. Taxation in 2012 was HK\$54 million, compared to HK\$49 million in 2011.

Overall, the Group reported growth of 20% in profit attributable to shareholders of the Company, from HK\$1,020 million in 2011 to HK\$1,227 million in 2012.

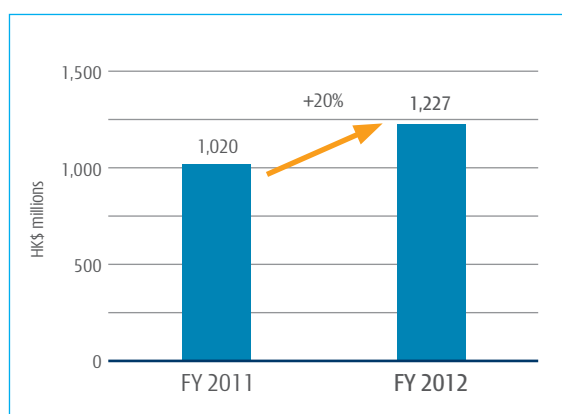
### Consolidated turnover



### Consolidated EBITDA and EBIT



### Profit attributable to shareholders



## Business Review

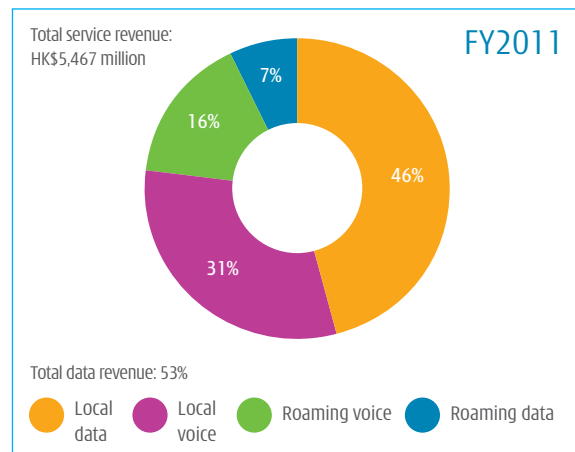
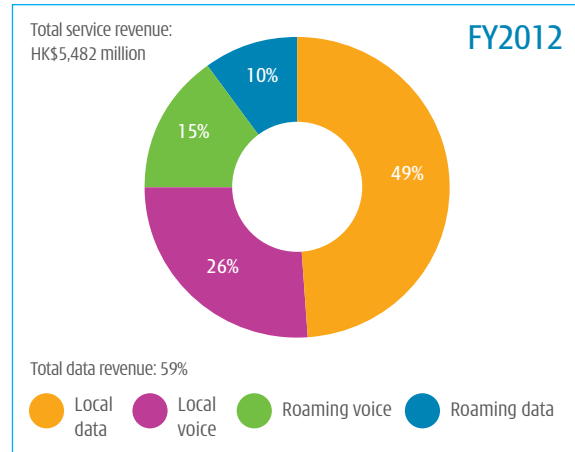
The Group is engaged in two principal businesses - mobile and fixed-line.

### Mobile business in Hong Kong and Macau

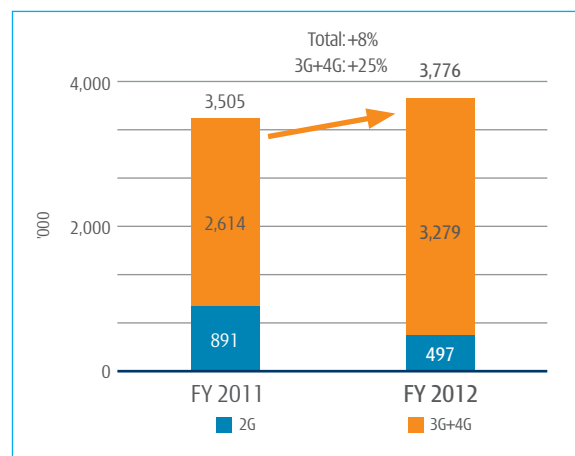
Growth in our mobile telecommunications business continued during 2012. We recorded mobile business turnover of HK\$12,383 million in 2012, a 19% rise from HK\$10,406 million in 2011. This was the result of overwhelming demand for smart devices. Mobile service revenue of HK\$5,482 million in 2012 was comparable to that in 2011 as a 12% increase in data revenue was offset by a 13% reduction in voice revenue. Data services growth momentum continued in 2012 and accounted for 59% of total service revenue, of which roaming data revenue recorded a 32% increase with growing usage of smart devices.

As at 31 December 2012, our Hong Kong and Macau customer base increased 8% to over 3.7 million. Our postpaid 3G and 4G customers accounted for 94% of our postpaid customer base. The number of Hong Kong and Macau postpaid customers totalled 2.0 million as at 31 December 2012.

### Mobile service revenue

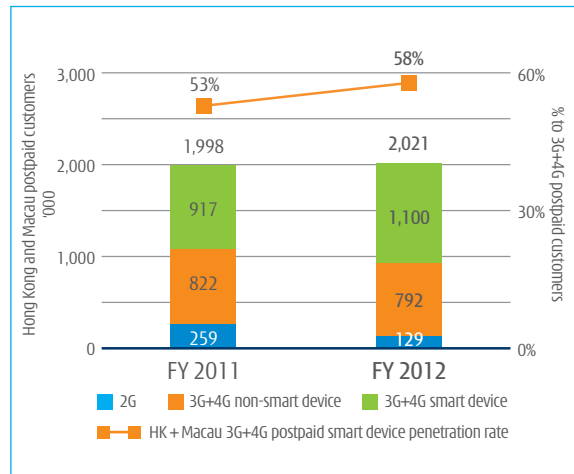


### Total customers



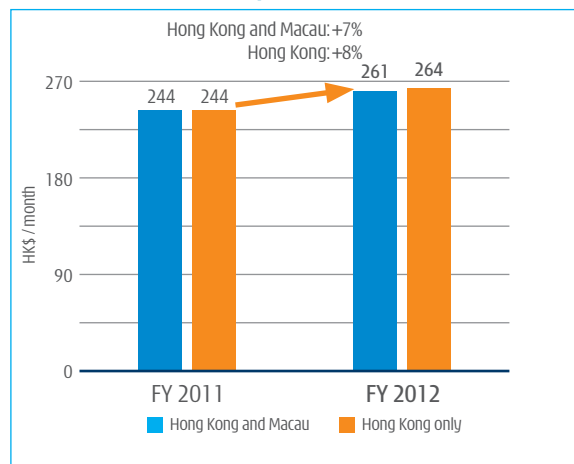
The introduction of new smart devices in 2012 was met with enthusiasm and an increased number of customers have adopted smartphones and tablets. As at 31 December 2012, smart device penetration of our 3G and 4G postpaid customer base in Hong Kong and Macau reached 58%. Blended postpaid ARPU in 2012 was HK\$261, representing an increase of 7% from HK\$244 in 2011. Hong Kong blended postpaid ARPU rose from HK\$244 in 2011 to HK\$264 in 2012, showing a rise of 8% driven by greater data usage and demand for tailored value-added services.

### Smart device penetration



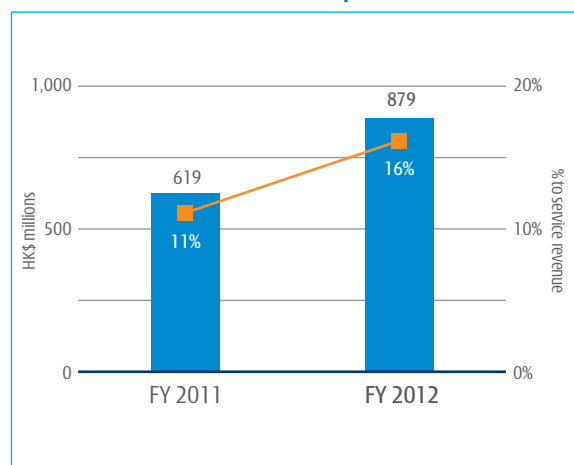
Robust demand for hardware and data services, coupled with effective cost control, translated into a rise in profit. In 2012, EBITDA increased 23% to HK\$2,100 million from HK\$1,712 million in 2011 while EBIT increased 25% from HK\$1,184 million in 2011 to HK\$1,485 million in 2012.

### Postpaid ARPU



Capital expenditure on property, plant and equipment amounted to HK\$879 million in 2012, accounting for 16% of mobile service revenue. The increase was mainly due to rollout of our 4G LTE network.

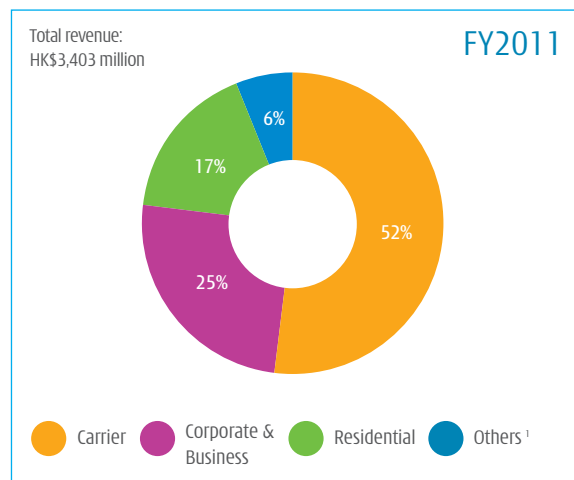
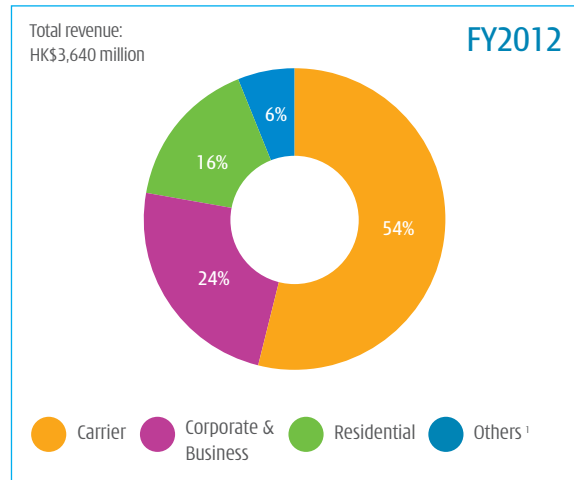
### Mobile capex



Fixed-line business

Turnover showed a 7% increase from HK\$3,403 million in 2011 to HK\$3,640 million in 2012. The carrier market contributed more than half of our total revenue, delivering a growth of 10% from HK\$1,781 million in 2011 to HK\$1,958 million in 2012. Revenue from the corporate and business market increased 6% to HK\$891 million in 2012 from HK\$840 million in 2011. Revenue from the residential market in 2012 was HK\$584 million, compared to HK\$583 million in 2011.

Fixed-line revenue

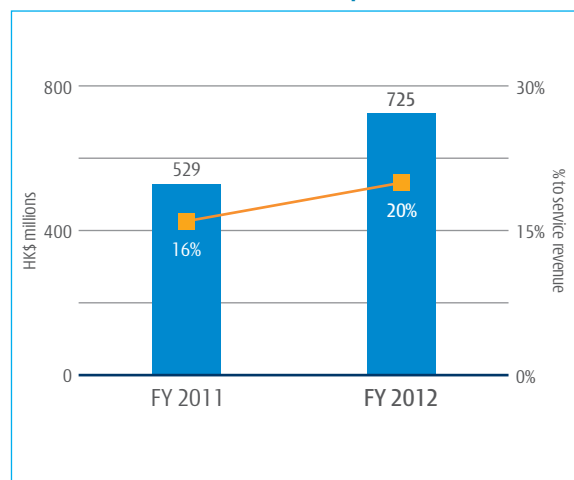


<sup>1</sup> Others include revenue from interconnection charges and data centres.

EBITDA increased 3% from HK\$1,016 million in 2011 to HK\$1,050 million in 2012. EBIT amounted to HK\$383 million in 2012, an increase of 5% compared to HK\$364 million in 2011.

Capital expenditure on property, plant and equipment was HK\$725 million in 2012, accounting for 20% of fixed-line service revenue. The increase was mainly a result of more fibre penetration and revenue-driven projects.

Fixed-line capex



# 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 uses interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the assets and liabilities of the Group. 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 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. The Group's holding of surplus funds are managed in a prudent manner, usually in the form of deposits with banks or financial institutions, which exposes the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

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 2012, an additional 890,000 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 2012, the Group recorded share capital of HK\$1,205 million and total equity of HK\$11,091 million.

The cash and cash equivalents amounted to HK\$182 million as at 31 December 2012 (2011: HK\$182 million), 39% of which were denominated in Hong Kong dollars, 30% in United States dollars, 11% in Renminbi with remaining in various other currencies. As at 31 December 2012, the Group had bank borrowings of HK\$3,746 million (2011: HK\$3,853 million) which were denominated in Hong Kong dollars and repayable in June 2015 (2011: repayable in December 2012). During the year ended 31 December 2012, the Group completed a refinancing of its credit facilities. Previous facilities have been replaced with a revolving and term credit facility of HK\$5,500 million, available from a group of international commercial banks up to 14 June 2015. The gearing ratio, calculated by dividing net debt by net total capital, was 24% (2011: 26%) as at 31 December 2012 as a result of repayment of borrowings.

### Cash Flows

The Group maintains a healthy financial position, benefiting from solid operating cash inflows. During the year ended 31 December 2012, net cash generated from operating activities and used in investing activities of the Group amounted to HK\$2,888 million (2011: HK\$2,590 million) and HK\$1,945 million (2011: HK\$2,292 million) respectively. Major outflow of funds during 2012 included payments for capital expenditure, spectrum utilisation fee for a block of radio spectrum acquired, investments in jointly controlled entities, repayment of borrowings and dividends.

### Charges on Group Assets

As at 31 December 2012, except for all of the shares of a jointly controlled entity owned by the Group which were pledged as security in favour of the jointly controlled entity partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

### Capital Expenditure

Capital expenditure on property, plant and equipment for the year ended 31 December 2012 was HK\$1,604 million (2011: HK\$1,148 million), of which mobile and fixed-line businesses accounted for HK\$879 million (2011: HK\$619 million) and HK\$725 million (2011: HK\$529 million) respectively, reflecting our continued investment in network modernisation and expansion to support long-term business growth.

### Acquisition of Radio Spectrum

During the year ended 31 December 2012, the Group acquired a block of radio spectrum in the 2300MHz band with a consideration of HK\$150 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

On 19 March 2013, Genius Brand Limited, a jointly controlled entity that the Group has 50% interest, successfully bid for a block of 10MHz spectrum in the 2500/2600MHz band for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

### Contingent Liabilities

As at 31 December 2012, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK\$847 million (2011: HK\$810 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of our spectrum licence obligations.

### Capital Commitments

As at 31 December 2012, the Group had total capital commitments of property, plant and equipment, radio spectrum and investments in jointly controlled entities amounting to HK\$2,051 million (2011: HK\$2,204 million).

### Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this annual report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this annual report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this annual report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

# Risk Factors

The business, financial condition and results of operations of the Group are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the financial condition of the Group or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

## Market Economy

We operate principally in Hong Kong and Macau. As a result, the financial condition of the Group and results of operations may be influenced by the general state of a local market or economy in the region. Any significant or protracted worsening of the present financial and economic climate within Hong Kong, Macau, and/or other areas, could result in a change to customer spending or usage behaviour, which could have an adverse impact on the business, results of operations and financial performance of the Group.

## Highly-competitive Market

The Group faces significant competition. Aggressive tariff plans and customer acquisition strategies adopted by competitors may impact on our pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects - hence, the revenue the Group receives as a major provider of telecommunications services. Risk of competition from alternative sources of telecommunications services now, or in the future, could materially and adversely affect the financial performance and growth prospects of the Group.

## Accounting

The International Accounting Standards Board has issued, and may issue more, new and revised standards and interpretations. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new International Financial Reporting Standards will not have a significant impact on the financial condition and results of operations of the Group.

## Strategic Partners

The Group conducts some business through non-wholly-owned subsidiaries and jointly controlled entities, in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group into the future, or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries and jointly controlled entities and the markets in which they operate. Furthermore, other investors in the non-wholly-owned subsidiaries of the Group and jointly controlled entities may undergo a change of control or financial difficulties, which may affect the financial condition and results of operations of the Group.

## Impact of Regulatory Decisions

The Group is permitted to provide telecommunications services and operate networks only under licences granted by regulatory authorities in individual countries/areas. All these licences have, historically, been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, or the terms and conditions of these licences may be changed when renewed. All these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct business, and in accordance with requirements relating to factors such as network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspension or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences held by the Group, or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), could result in the Group facing unforeseen competition, and could adversely affect the financial condition and results of operations of the Group.

## Rapid Technological Changes

The global telecommunications industry is characterised by rapid increases in the diversity and sophistication of the technologies and services offered. As a result, the Group may face increasing competition from technologies currently being developed, or which may be developed in the future, by both our existing competitors as well as new market entrants. The development and application of new technologies involve time, substantial cost and risk. The technologies we employ may become obsolete or be subject to intense competition from new technologies in the future. Impairment of any of our assets could adversely affect the financial condition and results of operations of the Group. If we fail to develop, or obtain timely access to, new technologies and equipment, or if we fail to obtain the necessary licences and spectrum to provide services using these new technologies, we may lose customers and market share and become less profitable.

## Network Performance

Some elements of our networks, such as switching and data platforms, perform critical functions for broad sectors of our network operations. Damage to such critical elements may cause an entire sector of our network coverage to be rendered non-functional and, as a result, we may not be able to provide telecommunications services to a substantial proportion of our customer base. In the event that the Group is unable to provide telecommunications services to a substantial proportion of its customers for an extended period of time, its business and results of operations will be materially and adversely affected.



# Environmental, Social and Governance Report



The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We deliver quality products and services to our customers by managing our business prudently and diligently, while executing management decisions via our hard-working and dedicated employees.

### Stakeholder Engagement

Dialogue is maintained with stakeholders, which include shareholders, customers, employees, suppliers, creditors, regulators and the public. We seek to balance the views and interests of these various constituencies through constructive conversation with a view to charting a course for our long-term prosperity and the communities we touch.

### Shareholders

The Company is committed to enhancing long-term shareholder value. The Group maintains frequent discussion with financial community members, such as analysts, fund managers and institutional investors, in order to increase our transparency.

### Customers

Customer feedback plays an important role for us to operate in different markets. We deploy numerous mechanisms to gather customer comment and recommendations so as to improve our products and services. New technologies, such as social networking tools, are also used to gather customer views.

### Employees

Hard-working and dedicated employees are our vital assets. In this regard, we treasure our loyal and industrious staff members, who are able to take advantage of many career opportunities as the Group expands. In addition, the Group adopts non-discriminatory hiring and employment practices and strives to provide a safe and healthy workplace.

### Vendors and suppliers

The Group has implemented a policy relating to selection of vendors and suppliers that takes into consideration best practices including quality of services and products, past performance, financial position and market share assessment.

### Government and public

We make strenuous efforts to ensure compliance with the laws and regulations of the jurisdictions in which we operate. The public at large is also an important stakeholder of the Group. A stable and prosperous community is important to the steady growth and long-term future prospects of the Group.

### Quality of workplace

As of 31 December 2012, the Group employed 1,920 full-time staff members. Staff costs during the year ended 31 December 2012, including directors' emoluments, totalled HK\$737 million.

### Recruitment and promotion

We believe the quality of our employees 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 goals and objectives in a work environment that nurtures values such as fair play, respect and integrity. Compensation packages are competitive, and individuals are rewarded according to performance, as well as 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.



The Group has implemented a vendor and supplier selection policy that takes best practice into consideration.



Staff take a green tour of the EcoPark organised by the Group.

### Development and training

Heavy emphasis on career development translates into extensive and ongoing training, according to the needs of the Group. We also encourage employees to take part in work-life balance activities and community service. These included employee outings, sports events, community volunteering and supporting charitable organisations.

### Health and safety

The Group is committed to providing a healthy and safe workplace for all employees. Health and safety considerations are incorporated into the design, operations and maintenance of our business premises. The Group also engages with employees in order to address occupational health and safety issues.

### Environmental Protection

As part of our long-term environmental strategy to reduce paper consumption, the Group continued a large-scale "Go Paperless" campaign to encourage customers to receive electronic billing information via email or Short Message Service ("SMS"). The campaign helped reduce the volume of paper bills and served to demonstrate our ongoing commitment to conducting business in an environmentally-sustainable and responsible manner.

The Group launched a "One Love. One World" advertising campaign to herald launch of 4G LTE service. Videos containing messages on oceanic environmental conservation from WildAid were broadcast at 3Shops to spread the "love Earth" message.



The Group also initiated the "Recycling of Handset Accessories" programme to encourage everyone to help to protect the environment and to make good use of Earth's resources. It was launched to encourage mobile users to hand over unwanted handset accessories for recycling, thereby promoting responsible disposal and environmental protection.

Handset accessories recycling boxes have been placed in many locations in Hong Kong and items collected were passed to the "Rechargeable Battery Recycling Programme" run by the Environmental Protection Department, counterparts in the telecommunications industry and green groups, as well as other voluntary organisations, for recycling or reuse.

The Group initiated a "Green Donation Month" to provide a convenient platform for staff participation. All employees were encouraged to bring in unwanted small-scale electrical home appliances, electronic devices, books and educational DVDs to the office, and the Group helped donate these items to charitable organisations.

We took part in "Earth Hour 2012" organised by the World Wide Fund for Nature Hong Kong. All 3Shops switched off neon signs and billboards for an hour on the designated day. The Group organised a Green Tour of the EcoPark and Yan Oi Tong EcoPark Plastic Resources Recycling Centre in Tuen Mun.



We support Bring Me A Book Hong Kong Limited to provide books and read-aloud training for primary school pupils and parents.



The Lo Yau Kee Elderly Handset and Service Sponsorship Programme helps the elderly connect with family and friends.



The Group's "Recycling of Handset Accessories" programme encourages everyone to help protect the environment.

## Operating Practices

### Consumer protection

A high priority for the Group is to ensure customer satisfaction with our products and services, and we channeled tremendous effort into safeguarding the integrity of customer data. We have implemented strict data protection mechanisms and installed a group-wide data loss prevention system that provides extensive protection of confidential and sensitive customer data across our network and throughout storage facilities and end-point terminals. A well-communicated internal control system is in place to ensure data can only be accessed by authorised personnel for authorised use. We continually remind our employees of the importance of safety and protection where our customers are concerned. In addition to issuing guidelines and handbooks, the Group conducts regular customer-facing employee trainings to ensure customers' personal data is protected.

To ensure cybersafety for our home broadband users, we have been working to promote awareness to protect minors from undesirable content on the Internet, while delivering a safe and entertaining online experience for families. We introduced a kids-friendly application that enables children to browse content specific to their age and interest, all under parental guidance and supervision. We also offer our customers a host of security services including anti-virus and anti-hacker packages against online threats.

On another front, we introduced various initiatives as part of our efforts to educate customers on understanding their data usage habits. Usage alerts are sent via SMS and/or email when levels reach a certain percentage of the fair usage data threshold. Customers can also customise the usage levels for receiving SMS alert. This helps our customers manage data usage in their best interests. In addition, we launched the My3 application and the online customer service ambassador service to provide timely assistance to customers on enquiries and trouble-shooting issues.

### Supply chain management

The Group holds laws and regulations in utmost regard. We strive to align with international best practices and conduct fair and unbiased tender processes in dealing with vendors. Tendering procedures are communicated to vendors. We have set out procedures and channels for our stakeholders, including vendors, to report any suspected impropriety.

### Anti-corruption

The Group takes its anti-corruption responsibilities very seriously. We have established channels through which our stakeholders can report illegal or excessively-risky activities, in a confidential manner, to the Board of Directors. Persons making appropriate reports are assured of protection. We organised numerous corporate governance seminars to review good business practices, anti-corruption measures and guidelines, plus operating practices and business ethics. All managers are expected to communicate and instill a culture of good corporate governance among their staff.



The Group helps the Hong Chi Association spread festive cheer among its members.

In addition, we review group policies from time to time, including those relating to anti-bribery and anti-corruption.

### Community Involvement

The Group has been named a “Caring Company” by the Hong Kong Council of Social Service for a number of years and has nurtured a culture of serving the community. We uphold our commitment to helping the disadvantaged in the forms of cash donations, in-kind donations and active staff participation. In 2012, a donation of approximately HK\$500,000 was made to charitable organisations in Hong Kong and Macau, covering projects in the focus areas of community, education, youth and the elderly.

#### A culture of giving

The Group prides itself on helping a wide range of charitable organisations. We provided scholarships for the “Outstanding Third Age Learner Awards 2012” – the first of its kind in Hong Kong – to recognise the achievements of elderly students in the pursuit of life-long learning and furtherance of contribution to families, workplace and society. This initiative was organised by the Institute of Active Ageing of The Hong Kong Polytechnic University to encourage senior citizens to learn and live life to the full.

The Group also draws on its strengths in telecommunications and extensive connectivity to bring about a positive impact on society. For example, in a move to help the elderly connect with family and friends, we continued the “Lo Yau Kee Elderly Handset and Service Sponsorship Programme” initiated in 2010. Elderly-friendly standalone handsets were donated to various charitable organisations.

The Group values long and lasting relationships established with the local community. We have provided free publicity via SMS and bill inserts for different non-profit organisations to raise public awareness of their activities. To help young people to experience Hong Kong’s Information and Communications Technology and telecommunications development, the Group sponsored mobile devices and SIM cards in different orienteering competitions.

#### Encouraging staff participation

Staff members are encouraged to play an active role in charity projects, organised either by the Group at corporate level or by other organisations running meaningful community welfare programmes. The Group is dedicated to fostering volunteerism, as part of its corporate culture of giving back to the community. Employees are granted the flexibility to volunteer for corporate-sponsored community activities during designated office hours and the move was highly appreciated by charitable organisations.



Secondary school students visit the Group's data centre.



Staff members play an active role in community projects such as blood donation.



Our volunteers take part in a Poor and Rich Feast to experience the uneven distribution of food and wealth.

# Information on Directors

## Biographical Details of Directors

### FOK Kin Ning, Canning

#### Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 61, has been 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 a member of the Remuneration Committee of the Company. He is an executive director and group managing director of Hutchison Whampoa Limited ("HWL"), 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") and co-chairman of Husky Energy Inc. ("Husky"). He is also 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 and OHL) and HWL are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "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 62, has been 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 the SFO. Mr Lui heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Indonesia, Vietnam and Sri Lanka. He also oversees the telecommunications operations in Ireland and Austria and generally assists in other telecommunications operations and related investments within the HWL group. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was 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 China, Hong Kong, Macau and Taiwan from 1996 to April 2000. From May 2001, he oversaw a number of the telecommunications operations and new business development of the HWL group in particular as an executive director and chief executive officer of Hutchison Telecommunications International Limited ("HTIL") from 2004 to 2010. He holds a Bachelor of Science degree.

### WONG King Fai, Peter

#### Executive Director and Chief Executive Officer & Group Managing Director

Wong King Fai, Peter, aged 64, has been Executive Director and Chief Executive Officer of the Company since 4 March 2009 and Chief Executive Officer & Group Managing Director of the Company since 10 September 2012. 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 HWL 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 chief executive officer of Hutchison Global Communications Limited ("HGC", a subsidiary of the Company) from 2000 to 2005, and is currently 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 59, 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 deputy group managing director of HWL, an executive director of CKI, HHR and Power Assets, and a director of HTAL. 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 also alternate director to directors of each of CKI, Power Assets, HTAL and TOM Group Limited ("TOM Group"). She was previously a non-executive director of TOM Group and alternate director to a director of HPH (as trustee-manager of Hutchison Port Holdings Trust). She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

## Frank John SIXT

### Non-executive Director

Frank John Sixt, aged 61, has been a Non-executive Director of the Company since 4 March 2009. He is an executive director and group finance director of HWL, 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 is also alternate director to directors of HTAL. 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 59, 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, 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 is also alternate director to directors of each of HHR and HTAL. He has over 29 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 65, 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 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, New World Department Store China Limited, SPG Land (Holdings) Limited, TOM Group and BTS Group Holdings Public Company Limited and an executive director and 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 of Advisory Committee of the Securities and Futures Commission. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.



## Information on Directors

### LAN Hong Tsung, David, GBS, ISO, JP

#### Independent Non-executive Director

Lan Hong Tsung, David, aged 72, has been an Independent Non-executive Director of the Company since 3 April 2009. He is Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently 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 senior advisor of Mitsui & Company (Hong Kong) Limited. Mr Lan was Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1 July 2000. He was a member of the 10th and 11th sessions of the National Committee of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr Lan is a Chartered Secretary, and a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

### WONG Yick-ming, Rosanna, DBE, JP

#### Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 60, 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 executive director of The Hong Kong Federation of Youth Groups, a member of the National Committee of the Chinese People's Political Consultative Conference, the People's Republic of China, and a member of the Commission on Poverty 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 and a member of The Hong Kong University of Science and Technology Business School Advisory Council. With The University of Hong Kong, she is an elected member of the Council and an ex-officio member of the Court. She is a director of The Hongkong and Shanghai Banking Corporation Limited, and an independent non-executive director of CKH and The Hongkong and Shanghai Hotels, Limited. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, she is non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation, 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 45, 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 of corporate strategy unit and chief manager of corporate business development. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is a non-executive director of ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust). He is also alternate director to a director of each of ARA Trust Management (Suntec) Limited (as manager of Suntec Real Estate Investment Trust), and ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust). He has over 23 years of experience in banking, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business 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 "Listing Rules"), the changes in information of Directors of the Company subsequent to the date of the 2012 Interim Report are set out below:

Name of Director	Details of changes
Chow Woo Mo Fong, Susan	Ceased to be alternate director to Mr Fok Kin Ning, Canning, chairman and a non-executive director of HPH (as trustee-manager of Hutchison Port Holdings Trust <sup>(1)</sup> ) on 24 October 2012
Wong King Fai, Peter	Re-titled from Chief Executive Officer to Chief Executive Officer & Group Managing Director of the Company on 10 September 2012  Total emoluments increased by HK\$526,433 to HK\$13,867,622 compared to 2011
Lan Hong Tsung, David	Ceased to be a member of the National Committee of the Chinese People's Political Consultative Conference, the People's Republic of China on 1 March 2013
Wong Yick Ming, Rosanna	Appointed as a member of the Commission on Poverty of the Government of the Hong Kong Special Administrative Region on 1 December 2012  Appointed as an independent non-executive director of The Hongkong and Shanghai Hotels, Limited <sup>(2)</sup> on 1 February 2013

Notes:

1. A trust whose units are listed on the Main Board of Singapore Exchange Securities Trading Limited
2. A company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited

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

As at 31 December 2012, 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 SFO) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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") for the year ended 31 December 2012 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 Depository Shares	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 <i>(Note 1)</i>	-	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	-	0.1888%
Wong King Fai, Peter	Beneficial owner	Personal interest	2,666,667	-	0.0553%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	250,000	-	0.0052%
Frank John Sixt	Beneficial owner	Personal interest	-	255,000 <i>(Note 2)</i>	0.0053%

Notes:

- Such ordinary shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.
- 17,000 American Depository 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 2012, 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 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 HHR; 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 2012, 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 2012, personal interests in 190,000 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 2012, 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 2012, 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 2012, 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 2012, 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.

### Directors' Interests in Competing Business

During the year ended 31 December 2012, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their 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 or its subsidiaries conducted during the same year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Director	Name of company	Nature of interests	Nature of competing business
Wong King Fai, Peter	HGC GlobalCentre Limited ("HGCGC")*	Director	Data centre business
Chow Woo Mo Fong, Susan	HGCGC	Director	Data centre business
Ma Lai Chee, Gerald	HGCGC	Director	Data centre business
	Beijing Net-Infinity Technology Development Company Limited	Director	Internet data centre business

\* A joint venture which is indirectly owned as to 50% by the Company

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

During the year, Mr Fok Kin Ning, Canning, being a Non-executive Director, was an executive director of HWL and a director of certain of its subsidiaries which are engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic, all being Non-executive Directors, were executive directors of HWL and directors and/or alternate directors of certain of its subsidiaries which are engaged in telecommunications businesses. Mr Lui Dennis Pok Man, a Non-executive Director, was a director or alternate director of certain subsidiaries of HWL which are engaged in telecommunications businesses.

The Company entered into a non-competition agreement with each of HWL and HTIL on 17 April 2009, whereby the parties thereto agreed, inter alia, to clearly delineate the respective geographical markets and businesses of each of (i) HWL and its subsidiaries (the "HWL Group") (excluding HTIL and its subsidiaries (the "HTIL Group") and the Group); (ii) the HTIL Group; and (iii) 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 (which in substance includes those of the HTIL Group following the privatisation of HTIL in 2010) comprised all the remaining countries of the world (other than in Italy, specifically, in respect of the PLDT MVNO Arrangement <sup>(Note)</sup>).

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) It refers to the co-operation agreement dated 12 March 2008 and made amongst, HGC, 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.

# Information on Senior Management

## Biographical Details of Senior Management

### **LUNG Pui Ying, Amy**

Managing Director - Mobile

Lung Pui Ying, Amy, aged 53, has been Managing Director of mobile business of the Group since September 2012, after having joined the Hutchison Whampoa Limited ("HWL") group in July 2001 as director of operations of Ommaney Holdings Limited. She then became consumer market commercial director of Hong Kong operations and was appointed Chief Operating Officer (Mobile) in May 2007. 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 26 years of experience in telecommunications.

### **TAN Yuen Chun, Jennifer**

Managing Director - Fixed

Tan Yuen Chun, Jennifer, aged 49, has been Managing Director of fixed-line business of the Group since September 2012 and joined the Group in May 1996. Ms Tan has been finance director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK") since 2000 and was appointed Chief Financial Officer of HTHK and Hutchison Global Communications Limited in August 2005. Before joining the Group, Ms Tan gained extensive senior 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 fellow of several professional accounting associations. She has also completed The Cambridge-HKU Senior Executive Programme and Stanford Senior Executive Leadership Program. Ms Tan has more than 16 years of experience in telecommunications.

### **CHENG Wai Sin, Suzanne**

Chief Financial Officer

Cheng Wai Sin, Suzanne, aged 38, has been Chief Financial Officer of the Group since September 2012 and joined the HWL group in November 2002. Ms Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Science degree in Finance. Ms Cheng has more than 15 years of experience in accounting and finance for corporate and banking sectors.

### **CHIANG Yung Hon, Byron**

Technology Director (Fixed)

Chiang Yung Hon, Byron, aged 47, has led the fixed-line 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-line business. He holds a Bachelor of Science degree in Electronic & Electrical Engineering and has more than 23 years of experience in telecommunications.

## Information on Senior Management

### **CHUNG Yiu Man, Daniel**

Chief Technology Officer (Mobile)

Chung Yiu Man, Daniel, aged 45, has been 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 22 years of experience in telecommunications.

### **HO Wai Ming**

Chief Executive Officer - Macau (Mobile)

Ho Wai Ming, aged 59, has been Chief Executive Officer - Macau (Mobile) 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 31 years of experience in telecommunications.

### **HO Wai Wing, Raymond**

Consumer Market Director (Fixed)

Ho Wai Wing, Raymond, aged 50, has led the consumer market team of fixed-line business since October 2008 and joined the Group in May 2003. Mr Ho is responsible for the sales and marketing aspects for consumer market segment of fixed-line business. He holds a Master's degree in Business Administration and has more than 28 years of experience in sales and marketing, 9 years of which were spent serving the Group.

### **KWOK Wing Pong, Andrew**

International & Carrier Business Director (Fixed)

Kwok Wing Pong, Andrew, aged 53, has been International & Carrier Business Director (Fixed) of the Group since December 2012, after having joined the Group in June 2002 as International Business Director. Mr Kwok is responsible for international, carrier business and global development of fixed-line business. He also represents the Group in regional telecommunications alliance as one of the founding board members after his chairmanship. Mr Kwok has more than 32 years of experience in telecommunications.

### **LEE Yat Lung, Andrew**

Commercial Director (Fixed)

Lee Yat Lung, Andrew, aged 44, has been Commercial Director (Fixed) of the Group since August 2005 and joined the Group in June 2002. Prior to December 2012, Mr Lee was responsible for the wholesale, carrier and corporate segments. Mr Lee is now dedicated to the business development for local market of fixed-line business. He holds a Master's degree in Business Administration and has more than 20 years of experience in telecommunications.

### **LOW Siu Wai, Enid**

Director of Sales and General Manager – Business Market (Mobile)

Low Siu Wai, Enid, aged 49, has been Director of Sales and General Manager – Business Market (Mobile) of the Group since January 2012 and joined the Group in May 2009. Ms Low is responsible for consumer sales and business market segment of mobile business. She holds a Master's degree in Business Administration and has more than 16 years of experience in telecommunications.

### **MA Po Chu, Debra**

Marketing Director (Mobile)

Ma Po Chu, Debra, aged 52, has been Marketing Director (Mobile) of the Group since January 2011 and joined the Group in September 2005. Ms Ma is responsible for marketing planning and strategies of mobile business. She holds a Bachelor of Social Science degree in Statistics and has more than 18 years of experience in telecommunications.

### **NG May Yuk, Frances**

General Manager, Corporate Communications

Ng May Yuk, Frances, aged 52, has been General Manager, Corporate Communications of the Group 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 28 years of experience in public relations, 17 years of which were spent serving the Group.

### **Christopher John SANDERSON**

Director of Legal Services & Regulatory

Christopher John Sanderson, aged 48, has led the legal and regulatory team since September 2012 and re-joined the HWL group in December 2001. Mr Sanderson is responsible for legal and regulatory affairs. He holds a Bachelor of Laws degree and has more than 25 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India, 15 years of which were spent serving the HWL group.

### **WONG Chong Sang, Edward**

HR & Organisational Development Director

Wong Chong Sang, Edward, aged 50, has been HR & Organisational Development Director of the Group since January 2012 and joined the HWL group in April 2001. Mr Wong is responsible for human resources management, people and organisational development. He holds a Bachelor's degree in Business Administration and has more than 23 years of experience in human resources management.



# 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 2012.

## Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 129 to 130.

## Group Profit

The consolidated income statement is set out on page 75 and shows the profit of the Group for the year ended 31 December 2012.

## Dividends

An interim dividend of 6.05 HK cents per share was paid to shareholders on 6 September 2012.

The Directors recommend the declaration of a final dividend at the rate of 13.03 HK cents per share, or HK\$628 million in total, payable on 30 May 2013 to those persons registered as shareholders on 21 May 2013, being the record date for determining the entitlement of shareholders to the proposed final dividend.

## 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\$0.5 million (2011: HK\$0.5 million).

## 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 2012 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.

In accordance with Article 84 of the Articles of Association of the Company, Mr Wong King Fai, Peter, Mr Frank John Sixt and Dr Wong Yick Ming, Rosanna will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company received confirmations 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 "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 38 to 40.

### 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

On 30 December 2011, the Company and Hutchison International Limited ("HIL", a subsidiary of Hutchison Whampoa Limited ("HWL")) entered into a master agreement (the "HWL Master Agreement") for a three-year term commencing from 1 January 2012, whereby HIL will procure relevant members of HWL and its subsidiaries (collectively, 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) 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 (the "Continuing Connection Transactions"):

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

- (b) the Group Supplies include 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); mobile telecommunications products (including mobile handsets, accessories and related products); mobile telecommunications services (including IDD and roaming services and other value-added services); 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); roaming services; and procurement of local and international fixed-line telecommunications services.

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 transactions contemplated under the HWL Master Agreement constituted or will constitute continuing connected transactions for the Company under the Listing Rules.

The Company announced on 30 December 2011 that the annual caps of (a) the acquisition of the HWL Group Supplies by the Group for the year ended 31 December 2012, and the two years ending 31 December 2013 and 31 December 2014 amounted to HK\$308 million, HK\$359 million and HK\$424 million respectively; and (b) the provision of the Group Supplies for the year ended 31 December 2012, and the two years ending 31 December 2013 and 31 December 2014 amounted to HK\$250 million, HK\$272 million and HK\$293 million respectively.

The aggregate amounts attributed to (a) the acquisition of the HWL Group Supplies by the Group; and (b) the provision of the Group Supplies, for the year ended 31 December 2012 which are subject to the annual review requirements under the Listing Rules were approximately HK\$194 million and HK\$147 million respectively.

All the Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions entered into by the Group during the year ended 31 December 2012 and confirmed that they were 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 agreements 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 to the effect that the Continuing Connected Transactions entered into by the Group during the year ended 31 December 2012 (i) have received approval of the Board; (ii) were in accordance with the pricing policies of the Group for transactions involved provision of goods and services by the Group; (iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and (iv) did not exceed the respective annual cap amounts as referred to in the announcement dated 30 December 2011.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2012 is contained in Note 33 to the consolidated financial statements. The transactions entered into with HWL Group and DoCoMo Group (as defined in Note 33 to the consolidated financial statements) as described in paragraph (b) to Note 33 to the consolidated financial statements all fall under the definition of "continuing connected transactions" under the Listing Rules.

The Company has complied with the disclosure requirements 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 2012.

## Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2012, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed in the "Information on Directors" section, 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 Securities and Futures Ordinance ("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 of Hong Kong Limited (the "Stock Exchange"):

### 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) )	65.01%
	(ii) Interest of a controlled corporation	512,961,149 ) (Note 1) )	
Hutchison Telecommunications Group Holdings Limited ("HTGHL")	Interest of controlled corporations	3,132,890,253 (Note 1)	65.01%
Ommaney Holdings Limited ("OHL")	Interest of controlled corporations	3,132,890,253 (Note 1)	65.01%
HIL	Interest of controlled corporations	3,132,890,253 (Note 1)	65.01%
HWL	Interest of controlled corporations	3,132,890,253 (Note 1)	65.01%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	3,184,982,840 (Note 2)	66.09%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	3,184,982,840 (Note 3)	66.09%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	3,184,982,840 (Note 4)	66.09%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	3,184,982,840 (Note 4)	66.09%
Li Ka-shing ("Mr Li")	(i) Founder of discretionary trusts and interest of controlled corporations	3,185,136,120 ) (Note 5) )	74.48%
	(ii) Interest of controlled corporations	403,979,499 ) (Note 6) )	
Mayspin Management Limited ("Mayspin")	Interest of controlled corporations	403,979,499 (Note 7)	8.38%
Yuda Limited ("Yuda")	Beneficial owner	350,527,953 (Note 8)	7.27%

### Notes:

- 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.*
- 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.*
- 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.*
- Each of TDT1 as trustee of a discretionary trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2") holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children and Mr Li Tzar Kai, Richard. 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.*
- 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 and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of both of Li Ka-Shing Unity Holdings Limited and Li Ka-Shing Castle Holdings Limited 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.*
- Such ordinary shares were held by companies of which Mr Li is interested in the entire issued share capital.*
- 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.*
- 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 2012, 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.

## 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 8 May 2009 (the "Listing Date"), the date on which the shares of the Company were first listed on the Stock Exchange (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 (including the share options granted but yet to be exercised) was 476,884,620, representing 9.90% 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 six 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 2012:

Category of participants	Date of grant of share options <sup>(1)</sup>	Number of share options		Lapsed/ cancelled during 2012	Number of share options held at 31 December 2012	Exercise period of share options	Exercise price of share options <sup>(2)</sup>	Price of share of the Company		
		Granted during 2012	Exercised during 2012					at the grant date of share options <sup>(3)</sup>	at the exercise date of share options <sup>(4)</sup>	
							HK\$	HK\$	HK\$	
Employees in aggregate	1.6.2009	1,090,000	-	(890,000)	-	200,000	1.6.2009 to 31.5.2019 (both dates inclusive)	1.00	0.96	3.36
Total		1,090,000	-	(890,000)	-	200,000				

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.



## Report of the Directors

As at the date of this report, the Company had 200,000 share options outstanding under the Share Option Scheme, which represented approximately 0.0042% 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 2012.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries or its holding company or a subsidiary of the holding company of the 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 the 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 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.

## 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:

	<b>Percentage of total purchases of the Group</b>
The largest supplier	48%
Five largest suppliers combined	63%

As at 31 December 2012:

- (a) HWL, a substantial shareholder of the Company, indirectly held 2,646,156 share stapled units of HKT Trust and HKT Limited, one of the five largest suppliers of the Company; and
- (b) Mr Li, a substantial shareholder of the Company, indirectly held 165,695,000 share stapled units of HKT Trust and HKT 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 25.07% of the issued share capital of the Company was held by the public.

## Auditor

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

By Order of the Board

**Edith SHIH**

Company Secretary

Hong Kong, 19 March 2013

# Corporate Governance Report

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

The Stock Exchange of Hong Kong Limited made certain amendments to the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "Revised Code", together with the former code as the "CG Code") with effect from 1 April 2012.

The Company has complied throughout the year ended 31 December 2012 with all the code provisions of the CG Code applicable during the year, other than those in respect of the nomination committee of the Revised Code. The reasons for deviation are explained below in this report.

## The Board

### Corporate Strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, 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 ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer & Group Managing Director.

### Board Composition

As at 31 December 2012, the Board comprised nine Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer & Group Managing Director, three Non-executive Directors and three Independent Non-executive Directors.

Biographical details of the Directors are set out in the "Information on Directors" section on pages 38 to 40 and on the website of the Company ([www.hthkh.com](http://www.hthkh.com)). A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. The number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules throughout the year.

## Chairman, Deputy Chairman and Executive Director

The roles of the Chairman and the Deputy Chairman are separate from that of the Chief Executive Officer & Group Managing Director. 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 promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the affairs of the Board so as to contribute to the functions of the Board. 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 & Group Managing Director, 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 & Group Managing Director attends to developing strategic operating plans that reflect the long-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 and the executive management team of each core business division, the Chief Executive Officer & Group Managing Director 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 & Group Managing Director 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.

## Board Processes

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 to Directors on a regular basis monthly updates and other information with respect to the performance, and business activities and development 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.

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. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Company held four Board meetings and the annual general meeting in 2012 with Director attendance of 94% and 100% respectively.

Name of Director	Attended/ eligible to attend Board meeting	2012 Annual General Meeting
<b>Chairman and Non-executive Director</b>		
Fok Kin Ning, Canning	4/4	√
<b>Deputy Chairman and Non-executive Director</b>		
Lui Dennis Pok Man	4/4	√
<b>Executive Director</b>		
Wong King Fai, Peter <i>(Chief Executive Officer &amp; Group Managing Director)</i>	4/4	√
<b>Non-executive Directors</b>		
Chow Woo Mo Fong, Susan	4/4	√
Frank John Sixt	3/4 *	√
Lai Kai Ming, Dominic	4/4	√
<b>Independent Non-executive Directors</b>		
Cheong Ying Chew, Henry	4/4	√
Lan Hong Tsung, David	3/4	√
Wong Yick Ming, Rosanna	4/4	√

\* Due to commitment overseas, Mr Frank John Sixt has arranged for his alternate to attend the Board meeting held in December 2012, attendance of which has not been counted in the above attendance record.

In addition to regular Board meetings, the Chairman held two meetings with Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Director in 2012. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent opinion to the Board.

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following 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. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. 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 in accordance with the provisions of the Listing Rules and the Articles of Association of the Company.

No Director 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).

Shareholders may propose a candidate for election as Director in accordance with the Articles of Association of the Company. The procedures for such proposal are posted on the website of the Company.

## Training and Commitment

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the businesses of the Group by senior executives.

The Company provides Continuous Professional Development (“CPD”) training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2012 is summarised as follows, representing an average of approximately 12 hours by each Director in 2012.

Name of Director	Areas		
	Legal, regulatory and corporate governance	Businesses of the Group	Directors' roles, functions and duties
<b>Chairman and Non-executive Director</b>			
Fok Kin Ning, Canning	√	√	√
<b>Deputy Chairman and Non-executive Director</b>			
Lui Dennis Pok Man	√	√	√
<b>Executive Director</b>			
Wong King Fai, Peter <i>(Chief Executive Officer &amp; Group Managing Director)</i>	√	√	√
<b>Non-executive Directors</b>			
Chow Woo Mo Fong, Susan	√	√	√
Frank John Sixt	√	√	√
Lai Kai Ming, Dominic	√	√	√
Ma Lai Chee, Gerald (Alternate Director to Lai Kai Ming, Dominic)	√	√	√
<b>Independent Non-executive Directors</b>			
Cheong Ying Chew, Henry	√	√	√
Lan Hong Tsung, David	√	√	√
Wong Yick Ming, Rosanna	√	√	√

Confirmation is received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, Directors disclose to the Company their interests as director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

### Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Group regarding Directors' securities transactions for the year ended 31 December 2012. The Model Code has been updated to reflect the recent amendments to the Listing Rules which took effect in 2013. In response to specific enquiries made, all Directors confirmed that they have complied with the Model Code throughout 2012.

### 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, which have been reviewed and revised with reference to the CG Code and adopted by the Board, are available on the websites of the Company and HKEX. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors, including the Chairman of the Board and the Chief Executive Officer & Group Managing Director, as and when appropriate.

### 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. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors and Committee members respectively for comments and records and are available for inspection by any Director upon request.

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 reference materials to the Directors for their information.

The Company Secretary is also directly responsible for the compliance of the Group 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 and dealings in securities of the Company, connected transactions and price-sensitive/inside 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.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the Articles of Association of the Company. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Ms Edith Shih has been appointed as the Company Secretary of the Company since inception and has day-to-day knowledge of the affairs of the Group. In response to specific enquiries made, the Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## 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 the half year.

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 73 and 74 which acknowledges the reporting responsibility of the auditor of the Group.

#### *Annual report and financial statements*

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the 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 judgments 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 accounting policies of the Group.

#### *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

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.



## Corporate Governance Report

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditor, review the preliminary results, interim results, and interim and annual financial statements of the Group, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of internal audit of the Group, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters were adopted by the Audit Committee in February 2012 and posted on the website of the Company.

The Audit Committee held four meetings in 2012 with 100% attendance.

Name of member	Attended/eligible to attend
Cheong Ying Chew, Henry ( <i>Chairman</i> )	4/4
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

In 2012, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the CG Code applicable during the year.

The Audit Committee meets with the Chief Financial Officer and other senior management of the Group from time to time to review the interim and final results, the interim report and annual report, and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the internal and external auditors of the Group, with a view of ensuring that the consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards. It also meets at least four times a year with the external auditor of the Group, PricewaterhouseCoopers ("PWC"), to consider the reports of PWC on the scope, strategy, progress and outcome of its independent review of the interim financial report and its annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, the Chief Financial Officer and internal auditor 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 receives and considers the presentations of Management in relation to the reviews on the effectiveness of the internal control systems of the Group and adequacy of resources, qualifications and experience of staff in the accounting and financial reporting function of the Group, as well as their training programmes and budgets. In addition, the Audit Committee reviews with the internal auditor the work plan for its audits together with its resource requirements and considers the internal audit reports to the Audit Committee on the effectiveness of internal controls in the business operations of the Group. Further, it also receives the report from the Company Secretary on the material litigation proceedings and compliance status of the Group 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 its 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 policy of the Group 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 pension plans of the Group, 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, financial due diligence, reviews of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the internal auditor 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 2012, the fees to PwC, amounting to HK\$14 million, were primarily for audit services and those for non-audit services amounted to HK\$1 million, or 7% of the total fees.

## Internal Control, Corporate Governance, Legal and Regulatory Control, and Group Risk Management

The Board has overall responsibility for the system of internal control, corporate governance compliance, and assessment and management of risks of the Group.

In meeting its responsibility, the Board seeks to increase risk awareness across the business operations of the Group 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 internal audit and risk management, as well as regular business reviews by the Executive Director and the executive management team of each core business division.

On behalf of the Board, the Audit Committee reviews regularly the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

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

### Internal Control Environment and Systems

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 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 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 finance department oversees the investment and lending activities of the Group. Treasury reports on 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 internal auditor, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the business operations of the Group worldwide. Using risk assessment methodology and taking into account the dynamics of the activities of the Group, 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 objectives of the plan are met. Internal audit is responsible for assessing the internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chief Executive Officer & Group Managing Director, 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 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 internal audit 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 internal auditor and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 December 2012 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 is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting and financial reporting function of the Group, and their training programmes and budget.

## Corporate Governance

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regulatory requirements.

Under its terms of reference, the Audit Committee has been delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. To assist the Audit Committee in fulfilling its responsibilities, a governance working group chaired by a Director comprising representatives from key departments of the Company was set up to continuously examine the corporate governance structure of the Group, provide updates, identify emerging matters of compliance, structure appropriate compliance mechanisms and monitor compliance fulfillment on an ongoing basis.

The Audit Committee has reviewed the compliance status, and is satisfied that the Company has complied throughout the year with all the code provisions of the CG Code applicable during the year, other than those in respect of the nomination committee of the Revised Code.

## Legal and Regulatory

The legal department 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 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 reports to the group legal department of the holding company of the Group on all material legal, regulatory and corporate secretarial matters and it determines and approves in conjunction with the group legal department of the holding company of the Group the engagement of external legal advisors, ensuring the requisite professional standards are maintained as well as most cost effective services are rendered. Further, the legal department organises and holds continuing education seminars/conferences on legal and regulatory matters for its legal counsels.

## Group Risk Management

The Chief Executive Officer & Group Managing Director and the general manager of risk management have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The general manager of risk management, 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.

## 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 Mr Lan Hong Tsung, David, an Independent Non-executive Director with Chairman, Mr Fok Kin Ning, Canning and Mr Cheong Ying Chew, Henry, an Independent Non-executive Director as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. 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 for all the Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Director and senior management of the Group is delegated to the Remuneration Committee.

The Remuneration Committee met in December 2012 with 100% attendance to review background information on market data (including economic indicators and statistics and the Remuneration Bulletin), the business activities and human resources issues, and headcount and staff costs of the Group.

Name of member	Attended/eligible to attend
Lan Hong Tsung, David ( <i>Chairman</i> )	1/1
Fok Kin Ning, Canning	1/1
Cheong Ying Chew, Henry	1/1

The Committee reviewed and approved the proposed 2013 directors' fees for Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. It also reviewed and approved the year end bonus and 2013 remuneration package of the Executive Director and senior executives of the Company. 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 determined in accordance with the performance of the Group and the individual's performance.

## 2012 Remuneration

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The emoluments of each of the Directors exclude amounts received from a subsidiary of the Company and paid to a subsidiary or an intermediate holding company of the Company. The amounts paid to each Director for 2012 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 <sup>(1)(4)(5)</sup>	0.09	-	-	-	-	0.09
Lui Dennis Pok Man <sup>(1)</sup>	0.07	-	-	-	-	0.07
Wong King Fai, Peter <sup>(5)</sup>	0.07	3.48	10.07	0.25	-	13.87
Chow Woo Mo Fong, Susan <sup>(1)(5)</sup>	0.07	-	-	-	-	0.07
Frank John Sixt <sup>(1)(5)</sup>	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic <sup>(1)</sup>	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry <sup>(2)(3)(4)</sup>	0.16	-	-	-	-	0.16
Lan Hong Tsung, David <sup>(2)(3)(4)</sup>	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna <sup>(2)(3)</sup>	0.14	-	-	-	-	0.14
<b>Total</b>	<b>0.90</b>	<b>3.48</b>	<b>10.07</b>	<b>0.25</b>	<b>-</b>	<b>14.70</b>

Notes:

1. Non-executive Directors
2. Independent Non-executive Directors
3. Members of the Audit Committee
4. Members of the Remuneration Committee
5. Directors' fees received by these Directors from a subsidiary of the Company during the period they served as directors that have been paid to a subsidiary or an intermediate holding company of the Company are not included in the amounts above

The remuneration to the members of senior management by bands in 2012 is set out below:

Remuneration bands	Number of individuals
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	3
HK\$2,000,001 to HK\$2,500,000	5
HK\$2,500,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$3,500,000	1
HK\$3,500,001 to HK\$4,000,000	1
HK\$4,000,001 to HK\$4,500,000	1
HK\$4,500,001 to HK\$5,000,000	1

### Code of Ethics

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is required to undertake to adhere to the Code of Ethics of the Group, and is expected to achieve the highest standards set out in the Code of Ethics including avoiding conflict of interest, discrimination or harassment and bribery and corruption etc. The employees are required to report any non-compliance with the Code of Ethics to 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 the Chief Executive Officer & Group Managing Director 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. A Policy on shareholders' communication, which is available on the website of the Company, was adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

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. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is published on the websites of the Company and HKEX. Moreover, additional information of the Group is available to shareholders and stakeholders through the Investor Relations page on the website of the Company.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to article 58 of the Articles of Association of the Company, any shareholder holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders by sending to the Board or the Company Secretary at the principal place of business a written request for such general meetings duly signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Hong Kong Share Registrar of the Company. The results of the poll are published on the websites of the Company and HKEX. Regularly updated financial, business and other information on the Group is made available on the website of the Company for shareholders and stakeholders.

The latest shareholders' meeting of the Company was the 2012 Annual General Meeting (the "AGM"), which was held on 22 May 2012 at Harbour Grand Kowloon, Hong Kong, and attended by representatives of PwC and all Directors including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of 100%. 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 22 May 2012 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 2011	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr Lui Dennis Pok Man as a Director	99.52%
3(b)	Re-election of Mrs Chow Woo Mo Fong, Susan as a Director	98.16%
3(c)	Re-election of Mr Lan Hong Tsung, David as a Director	99.64%
3(d)	Authorisation of the Board of Directors to fix the Directors' remuneration	99.99%
4	Re-appointment of the Auditor and authorisation of the Board of Directors to fix the Auditor's remuneration	99.99%
5(1)	Granting of a general mandate to Directors to issue additional shares in the Company	85.77%
5(2)	Granting of a general mandate to Directors to repurchase the shares of the Company	99.25%
5(3)	Extension of the general mandate to Directors to issue additional shares of the Company	85.16%
6	Amendments to the Articles of Association	99.95%

At the AGM, a special resolution was passed to amend the Articles of Association of the Company to (i) provide flexibility to determine the convening of adjourned general meetings; (ii) streamline the procedure for shareholders' nomination of Directors; and (iii) remove the 5% exemption for voting on a board resolution by a Director in which he has an interest, in line with changes in the Listing Rules. All resolutions put to shareholders at the AGM were passed. The results of the voting by poll were published on the websites of the Company and HKEx.

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 2013 and public float capitalisation as at 31 December 2012.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Manager or the Company Secretary by mail to 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or by e-mail at [ir@hthkh.com](mailto:ir@hthkh.com).



### Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance (“ESG”) responsibility and has established a working group, chaired by a Director, comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The working group focuses on initiatives related to our stakeholders, our employees, the environment, our operating practices and the community. Details of the initiatives of the working group are set out on pages 32 to 37.

By Order of the Board

**Edith SHIH**  
Company Secretary

Hong Kong, 19 March 2013

# 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 75 to 130, which comprise the consolidated and the Company's statements of financial position as at 31 December 2012, 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.

## Independent Auditor's Report

### 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 2012, 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, 19 March 2013

# Consolidated Income Statement

for the year ended 31 December 2012

	Note	2012 HK\$ millions	2011 HK\$ millions
Turnover	5	15,536	13,407
Cost of inventories sold		(6,508)	(4,663)
Staff costs	7	(737)	(646)
Customer acquisition costs		(708)	(1,155)
Depreciation and amortisation		(1,282)	(1,179)
Other operating expenses	8	(4,563)	(4,332)
		1,738	1,432
Interest income	9	12	6
Interest and other finance costs	9	(166)	(124)
Share of results of jointly controlled entities	18	(3)	(4)
<b>Profit before taxation</b>		<b>1,581</b>	<b>1,310</b>
Taxation	10	(54)	(49)
<b>Profit for the year</b>		<b>1,527</b>	<b>1,261</b>
<b>Attributable to:</b>			
Shareholders of the Company		1,227	1,020
Non-controlling interests		300	241
		1,527	1,261
<b>Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):</b>			
– basic	11	25.46	21.17
– diluted	11	25.46	21.17

Details of interim dividend paid and proposed final dividend 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 2012

	2012 HK\$ millions	2011 HK\$ millions
<b>Profit for the year</b>	<b>1,527</b>	1,261
<b>Other comprehensive income recognised directly in equity</b>		
Actuarial losses of defined benefit plans	(43)	(65)
Currency translation differences	1	(1)
<b>Total comprehensive income for the year, net of tax</b>	<b>1,485</b>	1,195
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	<b>1,185</b>	954
Non-controlling interests	<b>300</b>	241
	<b>1,485</b>	1,195

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

# Consolidated Statement of Financial Position

as at 31 December 2012

	Note	2012 HK\$ millions	2011 HK\$ millions
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	10,274	9,690
Goodwill	14	4,503	4,503
Other intangible assets	15	1,702	1,718
Other non-current assets	16	1,144	1,207
Deferred tax assets	17	368	368
Investments in jointly controlled entities	18	486	332
<b>Total non-current assets</b>		<b>18,477</b>	17,818
<b>Current assets</b>			
Cash and cash equivalents	19	182	182
Trade receivables and other current assets	20	2,040	1,787
Inventories	21	201	299
<b>Total current assets</b>		<b>2,423</b>	2,268
<b>Current liabilities</b>			
Trade and other payables	26	4,861	4,615
Borrowings	24	-	3,853
Current income tax liabilities		13	10
<b>Total current liabilities</b>		<b>4,874</b>	8,478
<b>Net current liabilities</b>		<b>(2,451)</b>	(6,210)
<b>Total assets less current liabilities</b>		<b>16,026</b>	11,608
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	276	231
Borrowings	24	3,746	-
Other non-current liabilities	25	913	964
<b>Total non-current liabilities</b>		<b>4,935</b>	1,195
<b>Net assets</b>		<b>11,091</b>	10,413

## Consolidated Statement of Financial Position

	Note	2012 HK\$ millions	2011 HK\$ millions
<b>CAPITAL AND RESERVES</b>			
Share capital	22	1,205	1,205
Reserves	23	9,757	9,379
<b>Total shareholders' funds</b>		<b>10,962</b>	10,584
Non-controlling interests		129	(171)
<b>Total equity</b>		<b>11,091</b>	10,413

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

**LUI Dennis Pok Man**  
Director

**WONG King Fai, Peter**  
Director

# Statement of Financial Position

as at 31 December 2012

	Note	2012 HK\$ millions	2011 HK\$ millions
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries, at costs	31	3,871	3,871
<b>Total non-current assets</b>		<b>3,871</b>	3,871
<b>Current assets</b>			
Receivables from subsidiaries	33(c)	9,300	9,222
Other current assets		1	1
Cash and cash equivalents		2	2
<b>Total current assets</b>		<b>9,303</b>	9,225
<b>Current liabilities</b>			
Other payables		4	3
Payables to subsidiaries	33(c)	89	154
<b>Total current liabilities</b>		<b>93</b>	157
<b>Net current assets</b>		<b>9,210</b>	9,068
<b>Total assets less current liabilities</b>		<b>13,081</b>	12,939
<b>Net assets</b>		<b>13,081</b>	12,939
<b>CAPITAL AND RESERVES</b>			
Share capital	22	1,205	1,205
Reserves	23	11,876	11,734
<b>Total equity</b>		<b>13,081</b>	12,939

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

**LUI Dennis Pok Man**  
Director

**WONG King Fai, Peter**  
Director



# Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	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
<b>As at 1 January 2012</b>	1,205	11,184	(1,730)	-	(92)	-	17	10,584	(171)	10,413
Profit for the year	-	-	1,227	-	-	-	-	1,227	300	1,527
Other comprehensive income										
Actuarial losses of defined benefit plans	-	-	-	-	(43)	-	-	(43)	-	(43)
Currency translation differences	-	-	-	1	-	-	-	1	-	1
<b>Total comprehensive income, net of tax</b>	-	-	1,227	1	(43)	-	-	1,185	300	1,485
Dividend paid (Note 12)	-	-	(808)	-	-	-	-	(808)	-	(808)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	-	1	-	1
<b>As at 31 December 2012</b>	1,205	11,185	(1,311)	1	(135)	-	17	10,962	129	11,091
<b>As at 1 January 2011</b>	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)
<b>Total comprehensive income, net of tax</b>	-	-	1,020	(1)	(65)	-	-	954	241	1,195
Dividend paid	-	-	(578)	-	-	-	-	(578)	-	(578)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(8)	(8)
Employee share option scheme - proceeds from shares issued	1	2	-	-	-	(1)	-	2	-	2
<b>As at 31 December 2011</b>	1,205	11,184	(1,730)	-	(92)	-	17	10,584	(171)	10,413

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

# Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Note	2012 HK\$ millions	2011 HK\$ millions
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	2,969	2,652
Interest and other finance costs paid		(75)	(56)
Tax paid		(6)	(6)
<b>Net cash generated from operating activities</b>		<b>2,888</b>	<b>2,590</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,596)	(1,141)
Additions to other non-current assets		(20)	(61)
Additions to other intangible assets		(150)	(1,077)
Proceeds from disposals of property, plant and equipment		3	53
Payment relating to investments in jointly controlled entities		(182)	(66)
<b>Net cash used in investing activities</b>		<b>(1,945)</b>	<b>(2,292)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares upon exercise of share options	22	1	2
Proceeds from borrowings		5,912	2,170
Repayment of borrowings		(6,040)	(1,890)
Dividend paid to the shareholders of the Company	12	(808)	(578)
Dividend paid to non-controlling interests		(8)	-
<b>Net cash used in financing activities</b>		<b>(943)</b>	<b>(296)</b>
Increase in cash and cash equivalents		-	2
Cash and cash equivalents at beginning of year		182	180
Cash and cash equivalents at end of year	19	182	182

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (together the "Group") are principally 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 were approved for issuance by the Board of Directors on 19 March 2013.

## 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 2012, the current liabilities of the Group exceeded its current assets by approximately HK\$2,451 million. Included in the current liabilities were non-refundable customer prepayments of HK\$947 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\$1,504 million. The future funding requirements of the Group 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\$5,500 million available from a group of international commercial banks up to 14 June 2015. As at 31 December 2012, the undrawn revolving and term credit facility amounted to approximately HK\$1,754 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) Amendment adopted by the Group

During the year, the Group has adopted the following amendment which is relevant to the Group's operations and is effective for accounting periods beginning on 1 January 2012:

IFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets
--------------------	---

### (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 yet effective for the year ended 31 December 2012:

IFRSs (Amendments) <sup>(ii)</sup>	Annual Improvements 2009 - 2011 Cycle
IAS 1 (Amendment) <sup>(i)</sup>	Financial Statements Presentation
IAS 19 (Amendment) <sup>(iii)</sup>	Employee Benefits
IAS 27 (Revised 2011) <sup>(iii)</sup>	Separate Financial Statements
IAS 28 (Revised 2011) <sup>(iii)</sup>	Associates and Joint Ventures
IAS 32 (Amendment) <sup>(iii)</sup>	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
IFRS 7 (Amendment) <sup>(ii)</sup>	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 9 <sup>(iv)</sup>	Financial Instruments
IFRS 7 and IFRS 9 (Amendments) <sup>(iv)</sup>	Mandatory Effective Date and Transition Disclosures
IFRS 10 <sup>(ii)</sup>	Consolidated Financial Statements
IFRS 11 <sup>(ii)</sup>	Joint Arrangements
IFRS 12 <sup>(ii)</sup>	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments) <sup>(ii)</sup>	Transition Amendments
IFRS 10, IFRS 12 and IAS 27 (Amendments) <sup>(iii)</sup>	Investment Entities
IFRS 13 <sup>(ii)</sup>	Fair Value Measurements

<sup>(i)</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>(ii)</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>(iii)</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>(iv)</sup> 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.

## 2 Summary of Significant Accounting Policies (continued)

### (d) Subsidiaries

#### (i) Consolidation

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.

The Group applies the acquisition method 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 to the former owners of the acquiree 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 recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed (Note 2(j)). If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (ii) Company's financial statements

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.

### (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, are 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 are 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.

## 2 Summary of Significant Accounting Policies (continued)

### (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.

### (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;

## 2 Summary of Significant Accounting Policies (continued)

### (h) Foreign currency translation (continued)

#### (iii) Group companies (continued)

- 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 at the transaction dates, in which case income and expenses are translated at the rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income (cumulative translation adjustments).

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. Exchange differences arising are recognised in other comprehensive income.

### (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 or over the unexpired period of the lease, whichever is the shorter
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

Telecommunications licences represent the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date the related spectrum is ready for its intended use. Telecommunications licences are amortised on a straight-line basis from the date the related spectrum is ready for its intended use over the remaining expected licence periods and are stated net of accumulated amortisation.

#### (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 were 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 the amounts that are settled or expected to be settled more 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 and other payables

Trade and other 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.

#### (a) Defined benefit 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 obligations.

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.

#### (b) Defined contribution plans

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).

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) For bundled transactions under contract comprising provision of mobile telecommunications services and sale of a handset device, the amount of revenue recognised upon the sale of the handset device is accrued as determined by considering the estimated fair values of each of the services element and handset device element of the contract.
- (iv) 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.

##### (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\$.

	2012 HK\$ millions	2011 HK\$ millions
US\$	99	298
EURO	37	37
Total net exposure: net assets	136	335

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.

	2012 HK\$ millions	2011 HK\$ millions
US\$	8	25
EURO	3	3
	11	28

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:

	2012 HK\$ millions	2011 HK\$ millions
Borrowings at floating rates (Note 24)	(3,746)	(3,853)
Cash at banks and short-term bank deposits	122	96
Loan to jointly controlled entities (Note 18)	498	341
Amount due from a jointly controlled entity	-	7
	<b>(3,126)</b>	<b>(3,409)</b>

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 2012 and 2011 would have decreased by approximately HK\$26 million and HK\$28 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 balances with jointly controlled entities; 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 counterparty and investment risks in respect of the 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 counterparty and investment risks in respect of the surplus fund, the Group manages these risks in a prudent manner, usually in the form of deposits with banks or financial institutions. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

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. 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:

	2012 HK\$ millions	2011 HK\$ millions
Cash at banks and short-term bank deposits (Note 19)	182	182
Trade and other receivables (Note 20)	1,829	1,567
	<b>2,011</b>	1,749



### 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	Contractual liabilities	Non-contractual liabilities	Contractual undiscounted cash flow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>As at 31 December 2012</b>								
Borrowings (Note 24)	3,746	3,746	-	3,800	-	-	3,800	-
Trade payables (Note 26)	870	870	-	870	870	-	-	-
Other payables, accruals and deferred revenue (Note 26)	3,827	902	2,925	902	902	-	-	-
Licence fees liabilities (Notes 25 and 26)	824	824	-	1,039	178	189	465	207
	<b>9,267</b>	<b>6,342</b>	<b>2,925</b>	<b>6,611</b>	<b>1,950</b>	<b>189</b>	<b>4,265</b>	<b>207</b>
	Carrying amount	Contractual liabilities	Non-contractual liabilities	Contractual undiscounted cash flow	Within 1 year	After 1 year but within 2 years	After 2 years but within 5 years	After 5 years
	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions	HK\$ millions
<b>As at 31 December 2011</b>								
Borrowings (Note 24)	3,853	3,853	-	3,860	3,860	-	-	-
Trade payables (Note 26)	462	462	-	462	462	-	-	-
Other payables, accruals and deferred revenue (Note 26)	3,995	822	3,173	822	822	-	-	-
Licence fees liabilities (Notes 25 and 26)	919	919	-	1,208	169	179	596	264
	<b>9,229</b>	<b>6,056</b>	<b>3,173</b>	<b>6,352</b>	<b>5,313</b>	<b>179</b>	<b>596</b>	<b>264</b>

### 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 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 2012, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK\$8,836 million (2011: HK\$8,737 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)

#### *(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 based on estimates of whether 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 2012 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.

#### 4 Critical Accounting Estimates and Judgements (continued)

##### (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 2012, the Group has recognised deferred tax assets of approximately HK\$368 million (2011: HK\$368 million).

#### 5 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:

	2012 HK\$ millions	2011 HK\$ millions
Mobile telecommunications services	5,480	5,464
Fixed-line telecommunications services	3,155	3,004
Telecommunications hardware	6,901	4,939
	<b>15,536</b>	13,407

## 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 EBITDA/(LBITDA)<sup>(a)</sup> and EBIT/(LBIT)<sup>(b)</sup>. The segment information on turnover and EBITDA/(LBITDA), EBIT/(LBIT), 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 2012				
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	Total HK\$ millions
Turnover - service	5,482	3,640	-	(487)	8,635
Turnover - hardware	6,901	-	-	-	6,901
	12,383	3,640	-	(487)	15,536
Operating costs	(10,283)	(2,590)	(130)	487	(12,516)
EBITDA/(LBITDA)	2,100	1,050	(130)	-	3,020
Depreciation and amortisation	(615)	(667)	-	-	(1,282)
EBIT/(LBIT)	1,485	383	(130)	-	1,738
Total assets before investments in jointly controlled entities	9,572	10,920	13,174	(13,252)	20,414
Investments in jointly controlled entities	393	93	-	-	486
Total assets	9,965	11,013	13,174	(13,252)	20,900
Total liabilities	(12,394)	(6,703)	(93)	9,381	(9,809)
Other information: Additions to property, plant and equipment	879	725	-	-	1,604
Additions to other intangible assets	152	-	-	-	152

## 6 Segment Information (continued)

	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 - service	5,467	3,403	-	(402)	8,468
Turnover - hardware	4,939	-	-	-	4,939
	10,406	3,403	-	(402)	13,407
Operating costs	(8,694)	(2,387)	(117)	402	(10,796)
EBITDA/(LBITDA)	1,712	1,016	(117)	-	2,611
Depreciation and amortisation	(528)	(652)	-	1	(1,179)
EBIT/(LBIT)	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

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of jointly controlled entities.

(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of jointly controlled entities.

The total revenue from external customers in Hong Kong for the year ended 31 December 2012 amounted to approximately HK\$14,849 million (2011: HK\$12,723 million) and the total revenue from external customers in Macau for the year ended 31 December 2012 amounted to approximately HK\$687 million (2011: HK\$684 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2012 amounted to approximately HK\$17,741 million (2011: HK\$17,119 million) and the total of these non-current assets located in Macau as at 31 December 2012 amounted to approximately HK\$368 million (2011: HK\$331 million).

## 7 Staff Costs

	2012 HK\$ millions	2011 HK\$ millions
Wages and salaries	757	664
Termination benefits	3	2
Pension costs		
- defined benefit plans (Note 30(a))	21	16
- defined contribution plans	12	9
Less: Amounts capitalised as non-current assets	(56)	(45)
	<b>737</b>	<b>646</b>

## (a) Directors' and chief executive's emoluments

Directors' emoluments comprise payments to directors from the Company and its subsidiaries. The emoluments of each of the directors of the Company exclude amounts received from a subsidiary of the Company and paid to a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and chief executive for both 2012 and 2011 are as follows:

Name of directors	2012					Total HK\$ millions
	Director's fees HK\$ millions	Basic salaries, allowances and benefits- in-kind HK\$ millions	Bonuses HK\$ millions	Provident fund contributions HK\$ millions		
Fok Kin Ning, Canning <sup>(i)</sup>	0.09	-	-	-	0.09	
Lui Dennis Pok Man	0.07	-	-	-	0.07	
Wong King Fai, Peter <sup>(i)(ii)</sup>	0.07	3.48	10.07	0.25	13.87	
Chow Woo Mo Fong, Susan <sup>(i)</sup>	0.07	-	-	-	0.07	
Frank John Sixt <sup>(i)</sup>	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	
	<b>0.90</b>	<b>3.48</b>	<b>10.07</b>	<b>0.25</b>	<b>14.70</b>	

## 7 Staff Costs (continued)

## (a) Directors' and chief executive's emoluments (continued)

Name of directors	2011				
	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 <sup>(i)</sup>	0.09	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	0.07
Wong King Fai, Peter <sup>(i) (ii)</sup>	0.07	3.52	9.50	0.25	13.34
Chow Woo Mo Fong, Susan <sup>(i)</sup>	0.07	-	-	-	0.07
Frank John Sixt <sup>(i)</sup>	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	3.52	9.50	0.25	14.17

(i) Director's fee received by these directors from a subsidiary of the Company during the period they served as directors that have been paid to a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

(ii) Mr Wong King Fai, Peter was the chief executive for the years ended 31 December 2012 and 2011 whose emoluments have been shown in directors' emoluments above.

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 2012 (2011: Nil).

## (b) Five highest paid individuals

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

	2012 Number of individual	2011 Number of individual
Director of the Company	1	1
Senior management	4	4



## 7 Staff Costs (continued)

## (b) Five highest paid individuals (continued)

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

	2012 HK\$ millions	2011 HK\$ millions
Basic salaries, allowances and benefits-in-kind	12	11
Bonuses	17	16
Provident fund contributions	1	1
	<b>30</b>	<b>28</b>

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

	2012 Number of individual	2011 Number of individual
HK\$2,500,001 - HK\$3,000,000	-	1
HK\$3,000,001 - HK\$3,500,000	1	-
HK\$3,500,001 - HK\$4,000,000	1	2
HK\$4,000,001 - HK\$4,500,000	1	1
HK\$4,500,001 - HK\$5,000,000	1	-
HK\$13,000,001 - HK\$13,500,000	-	1
HK\$13,500,001 - HK\$14,000,000	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 2012 (2011: Nil).

## 8 Other Operating Expenses

	2012 HK\$ millions	2011 HK\$ millions
Cost of services provided	3,047	2,906
General administrative and distribution costs	398	330
Operating leases in respect of		
- buildings	472	431
- hire of plant and machinery	564	562
Loss on disposals of property, plant and equipment	3	43
Auditor's remuneration	13	12
Provision for doubtful debts	66	48
<b>Total</b>	<b>4,563</b>	<b>4,332</b>

## 9 Interest and Other Finance Costs, Net

	2012 HK\$ millions	2011 HK\$ millions
Interest income:		
Interest income from jointly controlled entities	12	6
Interest and other finance costs:		
Bank loans repayable within 5 years	(62)	(47)
Notional non-cash interest accretion <sup>(a)</sup>	(76)	(67)
Guarantee and other finance fees	(34)	(16)
	(172)	(130)
Less: Amounts capitalised on qualifying assets	6	6
	(166)	(124)
<b>Interest and other finance costs, net</b>	<b>(154)</b>	<b>(118)</b>

(a) 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

	2012			2011		
	Current taxation HK\$ millions	Deferred taxation HK\$ millions	Total HK\$ millions	Current taxation HK\$ millions	Deferred taxation HK\$ millions	Total HK\$ millions
Hong Kong	-	45	45	-	41	41
Outside Hong Kong	9	-	9	8	-	8
	9	45	54	8	41	49

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided 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:

	2012 HK\$ millions	2011 HK\$ millions
Profit before taxation	1,581	1,310
Tax calculated at domestic rates	255	209
Income not subject to taxation	-	(1)
Expenses not deductible for taxation purposes	1	3
Temporary differences not recognised	1	2
Utilisation of previously unrecognised tax losses	(203)	(166)
Utilisation of previously unrecognised temporary differences	(1)	(1)
Tax losses not recognised	1	3
Total taxation charge	54	49

## 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK\$1,227 million (2011: HK\$1,020 million) and on the weighted average number of 4,818,485,607 (2011: 4,817,603,057) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2012 is calculated by adjusting the weighted average number of 4,818,485,607 (2011: 4,817,603,057) ordinary shares in issue with the weighted average number of 432,063 (2011: 940,132) ordinary shares deemed to be issued assuming the exercise of the share options.

## 12 Dividends

	2012 HK\$ millions	2011 HK\$ millions
Interim, paid of 6.05 HK cents per share (2011: 5.16 HK cents per share)	292	249
Final, proposed of 13.03 HK cents per share (2011: 10.70 HK cents per share)	628	516
	<b>920</b>	<b>765</b>

## 13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2012 and 2011 are as follows:

	Telecom- munications infrastructure and network		Other assets HK\$ millions	Construction in progress HK\$ millions	Total HK\$ millions
	Buildings HK\$ millions	equipment HK\$ millions			
<b>Cost</b>					
As at 1 January 2012	153	17,755	3,031	512	21,451
Additions	-	768	163	673	1,604
Disposals	-	(117)	(49)	-	(166)
Transfer between categories	-	201	37	(238)	-
As at 31 December 2012	<b>153</b>	<b>18,607</b>	<b>3,182</b>	<b>947</b>	<b>22,889</b>
<b>Accumulated depreciation and impairment losses</b>					
As at 1 January 2012	25	9,018	2,718	-	11,761
Charge for the year	4	866	144	-	1,014
Disposals	-	(113)	(47)	-	(160)
As at 31 December 2012	<b>29</b>	<b>9,771</b>	<b>2,815</b>	<b>-</b>	<b>12,615</b>
<b>Net book value</b>					
As at 31 December 2012	<b>124</b>	<b>8,836</b>	<b>367</b>	<b>947</b>	<b>10,274</b>

## 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
<b>Cost</b>					
As at 1 January 2011	67	16,936	2,890	717	20,610
Additions	86	622	145	295	1,148
Disposals	-	(272)	(35)	-	(307)
Transfer between categories	-	469	31	(500)	-
As at 31 December 2011	153	17,755	3,031	512	21,451
<b>Accumulated depreciation and impairment losses</b>					
As at 1 January 2011	22	8,356	2,622	-	11,000
Charge for the year	3	845	130	-	978
Disposals	-	(183)	(34)	-	(217)
As at 31 December 2011	25	9,018	2,718	-	11,761
<b>Net book value</b>					
As at 31 December 2011	128	8,737	313	512	9,690

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\$4 million (2011: HK\$3 million) capitalised at a rate of 1.9% per annum (2011: 1.4%).

## 14 Goodwill

	2012 HK\$ millions	2011 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	-	-

## 14 Goodwill (Continued)

### 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:

	2012 HK\$ millions	2011 HK\$ millions
Mobile business	2,155	2,155
Fixed-line business	2,348	2,348
	<b>4,503</b>	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 budget and forecasts approved by management covering a five-year period to 2017.

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

- (i) Projected 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 forecast 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:

	2012 Percentage	2011 Percentage
Mobile business	4.7%	4.1%
Fixed-line business	4.7%	6.1%

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 at each reporting date. 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 2012 indicated no impairment charge was necessary (2011: Same).

## 15 Other Intangible Assets

	Telecom- munications licences HK\$ millions	Patent HK\$ millions	Total HK\$ millions
As at 1 January 2011			
Cost	616	12	628
Accumulated amortisation	(336)	(12)	(348)
Net book value	280	-	280
Year ended 31 December 2011			
Opening net book value	280	-	280
Additions	1,532	-	1,532
Amortisation for the year	(94)	-	(94)
Closing net book value	1,718	-	1,718
As at 31 December 2011			
Cost	2,148	12	2,160
Accumulated amortisation	(430)	(12)	(442)
Net book value	1,718	-	1,718
Year ended 31 December 2012			
Opening net book value	1,718	-	1,718
Additions	152	-	152
Amortisation for the year	(168)	-	(168)
Closing net book value	1,702	-	1,702
As at 31 December 2012			
Cost	2,300	12	2,312
Accumulated amortisation	(598)	(12)	(610)
Net book value	1,702	-	1,702

As a result of a change in estimate resulting from an extended usage of radio spectrum, the intangible assets of telecommunications licences increased by HK\$452 million and the related licence fees liabilities increased by HK\$452 million during the year ended 31 December 2011.

Additions of telecommunications licences included interest of HK\$2 million (2011: HK\$3 million) capitalised at a rate of 2.1% per annum (2011: 1.4%).

## 16 Other Non-Current Assets

	2012 HK\$ millions	2011 HK\$ millions
Prepayments	1,093	1,136
Non-current deposits	51	71
	<b>1,144</b>	1,207

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:

	2012 HK\$ millions	2011 HK\$ millions
Deferred tax assets	368	368
Deferred tax liabilities	(276)	(231)
Net deferred tax assets	<b>92</b>	137

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 2011	(967)	1,145	178
Net charge for the year (Note 10)	(8)	(33)	(41)
As at 31 December 2011	(975)	1,112	137
As at 1 January 2012	<b>(975)</b>	<b>1,112</b>	<b>137</b>
Net (charge)/credit for the year (Note 10)	<b>(59)</b>	<b>14</b>	<b>(45)</b>
As at 31 December 2012	<b>(1,034)</b>	<b>1,126</b>	<b>92</b>



## 17 Deferred Tax Assets and Liabilities (continued)

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

	2012 HK\$ millions	2011 HK\$ millions
Arising from unused tax losses	204	406
Arising from depreciation allowances	5	4
	<b>209</b>	410

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 2012, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK\$1,238 million (2011: HK\$2,460 million) can be carried forward indefinitely.

## 18 Investments in Jointly Controlled Entities

	2012 HK\$ millions	2011 HK\$ millions
Loans to jointly controlled entities	538	380
Share of undistributed post acquisition reserves	(52)	(48)
	<b>486</b>	332

The loans to jointly controlled entities are unsecured, have no fixed terms of repayment and non-interest bearing except for loans of HK\$498 million (2011: HK\$341 million) which bears interest at Hong Kong inter-bank offered rate ("HIBOR") plus 3% per annum (2011: Same).

Particulars of the principal 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%
HGC GlobalCentre Limited	Hong Kong	Data centre services in Hong Kong	50%

## 18 Investments in Jointly Controlled Entities (continued)

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:

	2012 HK\$ millions	2011 HK\$ millions
<b>Assets</b>		
Non-current assets	445	337
Current assets	92	31
	<b>537</b>	368
<b>Liabilities</b>		
Non-current liabilities	(412)	(328)
Current liabilities	(134)	(45)
	<b>(546)</b>	(373)
Net liabilities	(9)	(5)
Income	65	32
Expenses	(68)	(36)
Net loss	(3)	(4)
Proportionate interests in jointly controlled entities' capital commitments Contracted but not provided for	112	81

As at 31 December 2012, there are no contingent liabilities related to the Group's interests in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves (2011: Nil).

As at 31 December 2012, all the shares held by the Group in a jointly controlled entity were pledged as security in favour of another partner of the jointly controlled entity under a cross share pledge arrangement (2011: Same).

## 19 Cash and Cash Equivalents

	2012 HK\$ millions	2011 HK\$ millions
Cash at banks and in hand	87	109
Short-term bank deposits	95	73
	<b>182</b>	182

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.31% per annum (2011: 0.01% to 0.41%). These deposits have an average maturity of 1 to 14 days (2011: 1 to 14 days).

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

## 20 Trade Receivables and Other Current Assets

	2012 HK\$ millions	2011 HK\$ millions
Trade receivables	1,927	1,626
Less: Provision for doubtful debts	(202)	(189)
Trade receivables, net of provision <sup>(a)</sup>	1,725	1,437
Other receivables <sup>(b)</sup>	104	130
Prepayments and deposits <sup>(b)</sup>	211	220
	<b>2,040</b>	<b>1,787</b>

## (a) Trade receivables, net of provision

	2012 HK\$ millions	2011 HK\$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0-30 days	1,133	916
31-60 days	245	209
61-90 days	97	106
Over 90 days	250	206
	<b>1,725</b>	<b>1,437</b>

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 2012, trade receivables of approximately HK\$972 million (2011: HK\$760 million) were past due but not provided for. These related 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:

	2012 HK\$ millions	2011 HK\$ millions
The ageing analysis of trade receivables which were past due but not provided for is as follows:		
Past due 1-30 days	608	422
Past due 31-60 days	106	129
Past due 61-90 days	52	72
Past due over 90 days	206	137
	<b>972</b>	<b>760</b>

## 20 Trade Receivables and Other Current Assets (continued)

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

As at 31 December 2012, provision for doubtful debts of approximately HK\$202 million (2011: HK\$189 million) was recognised for trade receivables of approximately HK\$885 million (2011: HK\$706 million) which were individually assessed for impairment. These impaired receivables were past due and management assessed that only a portion of the receivables was expected to be recovered. The Group does not hold any collateral over these balances.

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

	2012 HK\$ millions	2011 HK\$ millions
Beginning of year	189	197
Increase in provision recognised in the consolidated income statement	198	191
Amounts recovered in respect of brought forward balance	(132)	(143)
Write-off during the year	(53)	(56)
End of year	202	189

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.

As at 31 December 2011, other receivables included an amount of HK\$7 million due from a jointly controlled entity which was unsecured, repayable on demand and interest-bearing at HIBOR plus 3% per annum.

## 21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2012, the amount of inventories carried at net realisable value was approximately HK\$13 million (2011: HK\$4 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 (2011: Same).

## 22 Share Capital (continued)

## (b) Issued share capital of the Company

	Ordinary share of HK\$0.25 each	
	Number of shares	Issued and fully paid HK\$ millions
As at 1 January 2011	4,815,756,208	1,204
Issuance of shares arising from exercise of employee share options <sup>(i)</sup>	2,250,000	1
As at 31 December 2011	4,818,006,208	1,205
As at 1 January 2012	<b>4,818,006,208</b>	<b>1,205</b>
Issuance of shares arising from exercise of employee share options <sup>(i)</sup>	<b>890,000</b>	-
As at 31 December 2012	<b>4,818,896,208</b>	<b>1,205</b>

## (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 2011	1	3,340,000
Exercised	1	(2,250,000)
As at 31 December 2011	1	1,090,000
As at 1 January 2012	<b>1</b>	<b>1,090,000</b>
Exercised	<b>1</b>	<b>(890,000)</b>
As at 31 December 2012	<b>1</b>	<b>200,000</b>

## 22 Share Capital (Continued)

### (c) Share options of the Company (Continued)

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 2012 resulted in 890,000 (2011: 2,250,000) 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\$3.41 (2011: HK\$2.68) per share.

As at 31 December 2012, 200,000 (2011: 1,090,000) 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
<b>As at 1 January 2011</b>	11,182	(2,172)	1	(27)	1	17	9,002
Profit for the year	-	1,020	-	-	-	-	1,020
Actuarial losses of defined benefit plans	-	-	-	(65)	-	-	(65)
Currency translation differences	-	-	(1)	-	-	-	(1)
Dividend paid	-	(578)	-	-	-	-	(578)
Employee share option scheme - proceeds from shares issued	2	-	-	-	(1)	-	1
<b>As at 31 December 2011</b>	11,184	(1,730)	-	(92)	-	17	9,379
<b>As at 1 January 2012</b>	11,184	(1,730)	-	(92)	-	17	9,379
Profit for the year	-	1,227	-	-	-	-	1,227
Actuarial losses of defined benefit plans	-	-	-	(43)	-	-	(43)
Currency translation differences	-	-	1	-	-	-	1
Dividend paid (Note 12)	-	(808)	-	-	-	-	(808)
Employee share option scheme - proceeds from shares issued	1	-	-	-	-	-	1
<b>As at 31 December 2012</b>	11,185	(1,311)	1	(135)	-	17	9,757

## 23 Reserves (continued)

## Company

	Share premium HK\$ millions	Retained earnings HK\$ millions	Employee share-based compensation reserve HK\$ millions	Total HK\$ millions
<b>As at 1 January 2011</b>	11,182	423	1	11,606
Profit for the year	-	705	-	705
Dividend paid	-	(578)	-	(578)
Employee share option scheme - proceeds from shares issued	2	-	(1)	1
<b>As at 31 December 2011</b>	11,184	550	-	11,734
<b>As at 1 January 2012</b>	<b>11,184</b>	<b>550</b>	-	<b>11,734</b>
Profit for the year	-	<b>949</b>	-	<b>949</b>
Dividend paid (Note 12)	-	<b>(808)</b>	-	<b>(808)</b>
Employee share option scheme - proceeds from shares issued	1	-	-	1
<b>As at 31 December 2012</b>	<b>11,185</b>	<b>691</b>	-	<b>11,876</b>

## 24 Borrowings

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

	Maturity date	2012 HK\$ millions	2011 HK\$ millions
Unsecured bank loans			
Repayable within 1 year	2012	-	3,853
Repayable between 2 and 5 years	2015	<b>3,746</b>	-
		<b>3,746</b>	3,853

The Group's borrowings are denominated in HK\$.

The carrying values of the Group's total borrowings as at 31 December 2012 and 2011 approximate to their fair values. The fair values of the Group's total borrowings as at 31 December 2012 are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.3% (2011: 1.4%) per annum.

## 25 Other Non-Current Liabilities

	2012 HK\$ millions	2011 HK\$ millions
Non-current licence fees liabilities <sup>(a)</sup>	660	761
Pension obligations (Note 30(a))	133	91
Accrued expenses	120	112
	<b>913</b>	964

### (a) Licence fees liabilities

	2012 HK\$ millions	2011 HK\$ millions
Licence fees liabilities-minimum annual fees payments:		
Not later than 1 year	178	169
After 1 year, but within 5 years	654	775
After 5 years	207	264
	<b>1,039</b>	1,208
Future finance charges on licence fees liabilities	(215)	(289)
Present value of licence fees liabilities	<b>824</b>	919
The present value of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 26)	164	158
Non-current licence fees liabilities:		
After 1 year, but within 5 years	504	566
After 5 years	156	195
	<b>660</b>	761
Total licence fees liabilities	<b>824</b>	919

## 26 Trade and Other Payables

	2012 HK\$ millions	2011 HK\$ millions
Trade payables <sup>(a)</sup>	870	462
Other payables and accruals	2,880	3,026
Deferred revenue	947	969
Current portion of licence fees liabilities (Note 25)	164	158
	<b>4,861</b>	4,615



## 26 Trade and Other Payables (continued)

### (a) Trade payables

	2012 HK\$ millions	2011 HK\$ millions
The ageing analysis of trade payables is as follows:		
0-30 days	404	188
31-60 days	76	56
61-90 days	67	39
Over 90 days	323	179
	<b>870</b>	<b>462</b>

## 27 Cash Generated from Operations

	2012 HK\$ millions	2011 HK\$ millions
Cash flows from operating activities		
Profit before taxation	1,581	1,310
Adjustments for:		
- Interest income (Note 9)	(12)	(6)
- Interest and other finance costs (Note 9)	166	124
- Depreciation and amortisation	1,282	1,179
- Loss on disposals of property, plant and equipment (Note 8)	3	43
- Share of results of jointly controlled entities	3	4
Changes in working capital		
- Increase in trade receivables and other assets	(273)	(319)
- Decrease/(increase) in inventories	98	(60)
- Increase in trade and other payables	122	378
- Retirement benefits obligations	(1)	(1)
Cash generated from operations	<b>2,969</b>	<b>2,652</b>

## 28 Contingent Liabilities

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

	2012 HK\$ millions	2011 HK\$ millions
Performance guarantees	830	792
Financial guarantees	17	18
	<b>847</b>	<b>810</b>

## 29 Commitments

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

### (a) Capital commitments

	2012 HK\$ millions	2011 HK\$ millions
Property, plant and equipment and other intangible assets		
Contracted but not provided for	1,003	914
Authorised but not contracted for	791	1,008
	<b>1,794</b>	1,922
Investments in jointly controlled entities		
Authorised but not contracted for	257	282

The above amount included the following capital commitment with related parties:

	2012 HK\$ millions	2011 HK\$ millions
Property, plant and equipment		
Contracted but not provided for	27	17

### (b) Operating lease commitments

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

	Buildings		Other assets	
	2012 HK\$ millions	2011 HK\$ millions	2012 HK\$ millions	2011 HK\$ millions
Not later than one year	347	310	212	113
Later than one year but not later than five years	134	201	130	35
Later than five years	-	-	9	10
	<b>481</b>	511	<b>351</b>	158

## 29 Commitments (Continued)

### (b) Operating lease commitments (Continued)

The above amount included the following future aggregate minimum lease payments to related parties:

	<b>Buildings</b>	
	<b>2012</b> HK\$ millions	2011 HK\$ millions
Not later than one year	73	63
Later than one year but not later than five years	24	73
	<b>97</b>	136

### (c) Telecommunications licence fees

A subsidiary of the Company has a unified carrier licence for the provision of telecommunications services in Hong Kong over various periods of time up to year 2021 (the "Licence") and variable licence fees are payable based on 5% of the network turnover 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 Fees has already been recorded as licence fee 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 2012, 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 (2011: Same).

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

	<b>2012</b> HK\$ millions	2011 HK\$ millions
Pension obligations (Note 25)	133	91

## 30 Employee Retirement Benefits (continued)

## (a) Defined benefit plans (continued)

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

	2012	2011
Discount rate applied to defined benefit plan obligations	0.4% - 0.7%	1.2% - 1.5%
Expected return on plan assets	7.0%	7.0%
Future salary increases	4.0%	4.0%
Interest credited on plan accounts	5.0% - 6.0%	5.0% - 6.0%

	2012 HK\$ millions	2011 HK\$ millions
<b>The amount recognised in the consolidated income statement:</b>		
Current service cost	32	25
Interest cost	4	6
Expected return on plan assets	(15)	(15)
Total, included in staff costs (Note 7)	21	16
<b>The amount recognised in the consolidated statement of financial position:</b>		
Present value of funded plans' obligations	(369)	(299)
Less: Fair value of plan assets	236	208
Liability recognised in the consolidated statement of financial position	(133)	(91)

## 30 Employee Retirement Benefits (continued)

## (a) Defined benefit plans (continued)

	2012 HK\$ millions	2011 HK\$ millions
<b>Changes in present value of the defined benefit obligations</b>		
Beginning of year	299	232
Current service cost net of employee contributions	32	25
Actual employee contributions	1	1
Interest cost	4	6
Actuarial losses on obligations	44	47
Actual benefits paid	(13)	(11)
Net transfer in/(out) liabilities	2	(1)
End of year	369	299
<b>Changes in the fair value of the plan assets</b>		
Beginning of year	208	205
Expected return on plan assets	15	15
Actuarial gains/(losses) on plan assets	1	(18)
Contribution by employer	22	17
Contribution by employees	1	1
Actual benefits paid	(13)	(11)
Net transfer in/(out) assets	2	(1)
End of year	236	208
<b>The analysis of the fair value of plan assets at end of year is as follows:</b>		
	2012 Percentage	2011 Percentage
Equity instruments	57%	60%
Debt instruments	22%	20%
Other assets	21%	20%
	100%	100%

Expected contributions to defined benefit plans for the year ending 31 December 2013 are approximately HK\$26 million.

Forfeited contributions totalling HK\$3 million (2011: HK\$3 million) were used to reduce the current year's level of contributions during the year and HK\$0.1 million was available as at 31 December 2012 (2011: HK\$0.1 million) to reduce future years' contributions.

## 30 Employee Retirement Benefits (continued)

## (a) Defined benefit plans (continued)

	2012 HK\$ millions	2011 HK\$ millions	2010 HK\$ millions	2009 HK\$ millions	2008 HK\$ millions
<b>The experience adjustments are as follows:</b>					
Fair value of plan assets	236	208	205	178	137
Present value of defined benefit obligations	(369)	(299)	(232)	(221)	(218)
Deficit	(133)	(91)	(27)	(43)	(81)
Experience adjustments on plan assets	1	(18)	4	22	(77)
Percentage of plan assets (%)	-	(9)	2	12	(56)
Experience adjustments on plan obligations	(11)	(1)	-	1	7
Percentage of plan obligations (%)	(3)	-	-	-	3

The actual return on plan assets during the year ended 31 December 2012 was a gain of HK\$16 million (2011: loss of HK\$3 million).

The accumulated actuarial losses recognised in the consolidated statement of comprehensive income as at 31 December 2012 was approximately HK\$140 million (2011: losses of HK\$97 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 July 2012 reported a funding level of 118% 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% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson 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 2012, 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\$0.2 million (2011: HK\$0.3 million) were used to reduce the current year's level of contributions during the year and an insignificant amount was available as at 31 December 2012 (2011: HK\$0.1 million) to reduce future years' 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 129 to 130.

### 32 Ultimate Holding Company

As at 31 December 2012, the Company was owned as to approximately 65% by HWL. 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 or jointly controlled entities
- (2) Other shareholders of the Group or HWL Group:
  - (a) CKH Group - Cheung Kong (Holdings) Limited together with its direct and indirect subsidiaries or jointly controlled entities
  - (b) DoCoMo Group - NTT DoCoMo, Inc. together with its direct and indirect subsidiaries or jointly controlled entities

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

	2012 HK\$ millions	2011 HK\$ millions
<b>HWL Group</b>		
Provision of mobile telecommunications services	23	18
Provision of fixed-line telecommunications services	127	105
Purchase of telecommunications products	(2)	(7)
Purchase of telecommunications services	(32)	(23)
Rental expenses on lease arrangements	(77)	(70)
Dealership service expenses	(9)	(5)
Billing collection service expenses	(12)	(13)
Purchase of office supplies	(11)	(9)
Purchase of air tickets and hotel accommodation	(4)	(4)
Advertising and promotion expenses	(29)	(63)
Global procurement service arrangement expenses	(13)	(12)
Purchase of property, plant and equipment	(4)	(2)
Sharing of services arrangement	(37)	(35)
Corporate guarantee expenses	(2)	-
<b>CKH Group</b>		
Provision of mobile telecommunications services	2	2
Provision of fixed-line telecommunications services	37	47
Provision of marketing services	2	2
Rental expenses on lease arrangements	(8)	(6)
Purchase of telecommunications services	(2)	(2)
Business risks management services	(7)	(5)
Purchase of office supplies	(3)	(1)
Purchase of property, plant and equipment	(18)	(13)
Sharing of services arrangement	(10)	(10)
Advertising and promotion expenses	(1)	(1)
<b>DoCoMo Group</b>		
Provision of mobile telecommunications services	27	33

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.



### 33 Related Party Transactions (continued)

#### (c) Balances with subsidiaries

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

### 34 Subsequent Event

On 19 March 2013, Genius Brand Limited, a jointly controlled entity that the Group has 50% interest, successfully bid for a block of 10MHz spectrum in the 2500/2600MHz band for the provision of mobile telecommunications services in Hong Kong for a period of 15 years. A spectrum utilisation fee of HK\$290 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 Communications Authority of Hong Kong.

### 35 Comparative Figures

Certain comparative figures have been reclassified to conform to current year's presentation of customer acquisition costs which represent net costs to acquire and retain telecommunications customers and are expensed and recognised in the period in which they are incurred.

# List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2012 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 (Guangdong) Limited	The People's Republic of China (the "PRC"), limited liability company	Equipment trading in the PRC	RMB5,000,000	-	100%
Hutchison Global Communications Korea Limited	Republic of Korea, stock company	Support services in Korea	20,000 ordinary shares of KRW5,000 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 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 S\$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%

## List of Principal Subsidiaries

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 GlobalCentre Limited	Hong Kong, limited liability company	Data centre services in Hong Kong	2 ordinary shares of HK\$1 each	-	100%
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 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%
NextGen MultiMedia Limited (formerly known as 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%

# Financial Summary

	2012 HK\$ millions	2011 HK\$ millions	2010 HK\$ millions	2009 HK\$ millions	2008 HK\$ millions
<b>RESULTS</b>					
Turnover	15,536	13,407	9,880	8,449	8,124
Profit for the year	1,527	1,261	900	530	218
Non-controlling interests	(300)	(241)	(145)	(62)	12
Net profit attributable to shareholders of the Company	1,227	1,020	755	468	230
<b>ASSETS</b>					
Total non-current assets	18,477	17,818	16,260	16,241	16,278
Cash and cash equivalents	182	182	180	268	272
Other current assets	2,241	2,086	1,736	1,245	1,318
Total assets	20,900	20,086	18,176	17,754	17,868
<b>LIABILITIES</b>					
Short-term borrowings	-	3,853	-	-	-
Other current liabilities	4,874	4,625	4,072	3,323	8,290
Payables to related companies	-	-	-	-	12,418
Long-term borrowings	3,746	-	3,566	4,358	-
Other non-current liabilities	1,189	1,195	736	729	721
Total liabilities	9,809	9,673	8,374	8,410	21,429
Net assets/(liabilities)	11,091	10,413	9,802	9,344	(3,561)
<b>CAPITAL AND RESERVES</b>					
Share capital	1,205	1,205	1,204	1,204	-
Reserves	9,757	9,379	9,002	8,689	(2,949)
Total shareholders' fund	10,962	10,584	10,206	9,893	(2,949)
Non-controlling interests	129	(171)	(404)	(549)	(612)
Total equity	11,091	10,413	9,802	9,344	(3,561)

Note:

Details of the basis of preparation of the consolidated financial statements are 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 2012:  
Approximately HK\$4,302 million (approximately 25.07% of the issued share capital of the Company)

## Financial Calendar

Payment of 2012 Interim Dividend:	6 September 2012
2012 Final Results Announcement:	19 March 2013
Closure of Register of Members:	9 May 2013 to 14 May 2013
Annual General Meeting:	14 May 2013
Record Date for 2012 Final Dividend:	21 May 2013
Payment of 2012 Final Dividend:	30 May 2013
2013 Interim Results Announcement:	July 2013

## Registered Office

Floor 4, Willow House, Cricket Square, P.O. Box 2804,  
Grand Cayman KY1-1112, Cayman Islands

## Principal Place of Business

22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong  
Telephone: +852 2128 1188  
Facsimile: +852 2128 1778

## Principal Executive Office

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

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House, 24 Shedden Road, George Town,  
Grand Cayman KY1-1110, Cayman Islands  
Telephone: +1 345 949 9107  
Facsimile: +1 345 949 5777

## Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong  
Telephone: +852 2862 8628  
Facsimile: +852 2865 0990

## ADS Depository

Citibank, N.A.  
Citibank Shareholder Services  
P.O. Box 43077, Providence, Rhode Island 02940-3077,  
the United States of America  
Telephone (toll free within USA): 1 877 248 4237  
Telephone (outside USA): +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

Please direct enquiries to:  
Telephone: +852 2128 6828  
Facsimile: +852 3909 0966  
Email: ir@hthkh.com

## Website Address

[www.hthkh.com](http://www.hthkh.com)



**Hutchison** Telecom  
Hong Kong Holdings

## Hutchison Telecommunications Hong Kong Holdings Limited

19/F, Hutchison Telecom Tower, 99 Cheung Fai Road, Tsing Yi, Hong Kong

Telephone: +852 2128 2828

Facsimile: +852 2128 3388

[www.hthkh.com](http://www.hthkh.com)