Hutchison Telecom
Hong Kong Holdings

Sustained Growth Value Creation

2011 Annual Report

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

A Hutchison Whampoa Company

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

FOK Kin Ning, Canning, BA, DFM, CA (Aus)
(also Alternate to CHOW WOO Mo Fong, Susan)

Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, BSc

Executive Director

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

Non-executive Directors

CHOW WOO Mo Fong, Susan, BSc

Frank John SIXT, MA, LLL

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

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

Independent Non-executive Directors

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

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

WONG Yick Ming, Rosanna, PhD, DBE, JP

AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

REMUNERATION COMMITTEE

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

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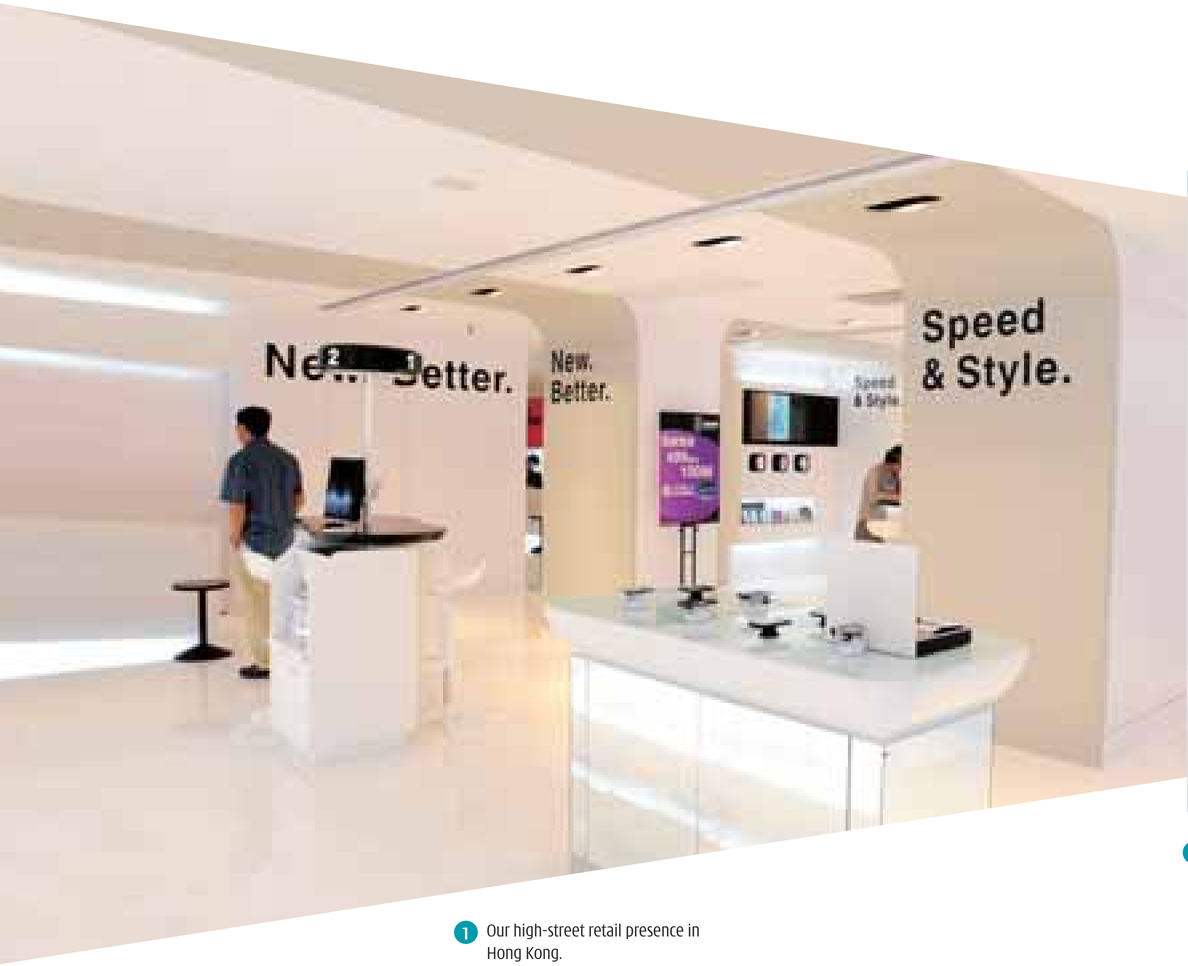
Corporate Profile



1 Our high-street retail presence in Hong Kong.

2 New hotline centres provide personalised customer service.

Hutchison Telecommunications Hong Kong Holdings Limited (Stock Code: 215) is an integrated telecommunications operator based in Hong Kong and a member of the Hutchison Whampoa Limited (Stock Code: 13) group. We deploy the latest technologies to offer world-class telecommunications services and solutions that set market trends and steer industry development.

We are a constituent of the Hang Seng Composite Index, Hang Seng Composite Industry Index – Telecommunications, Hang Seng Composite Small Cap Index and Hang Seng Corporate Sustainability Benchmark Index.

Hong Kong and Macau Mobile Business

In Hong Kong, we provide GSM dual-band, 3G mobile telecommunications and Wi-Fi services. We also offer a diverse mobile portfolio with a sharp focus on data-centric services integrated with Internet and PC offerings. We now have the largest amount of available radio spectrum for service provision in Hong Kong. In addition, as a leader in driving smartphone data usage, we offer an array of advanced mobile handsets and devices, plus a rich portfolio

- Have the largest amount of available radio spectrum for service provision in Hong Kong
- Global reach for overseas carriers
- Offer services to local carriers, corporate customers and residential customers leveraging our extensive Fibre-to-the-Building infrastructure

of broadband-based data services and applications including eBooks, music downloads, movie-on-demand, mobile social networking and location-based applications.

In Macau, we provide GSM dual-band and 3G mobile telecommunications services and have become the second largest mobile telecommunications operator in terms of subscriber numbers.

As of 31 December 2011, we served 3.51 million subscribers in Hong Kong and Macau.

Fixed-line Business

We own one of the most extensive Fibre-to-the-Building ("FTTB") networks in Hong Kong and run an advanced voice, data and Internet Protocol network with premium network routings via submarine and terrestrial cables.

In the international business market, we provide overseas carriers with telecommunications facilities on a wholesale basis and extend international telecommunications solutions to all-scale corporate customers, Internet content providers and application service providers. In 2011, we further penetrated our reach to the Greater Mekong Subregion with an extended presence in the United States of America, Europe, the Middle East and Africa.

In the local carrier market, we serve most of the mobile telecommunications operators of Hong Kong with leased-line connectivity via our FTTB network.

In the corporate and business market, we are able to meet the sophisticated needs of multinational corporations and enterprises of all sizes. These corporate customers are provided with local telephony, International Direct Dialing, Internet access, data transmission, IT services, systems integration and co-location services, together with advanced business applications.

On the residential front, we are able to provide the majority of telecommunications consumer customers of Hong Kong with fixed broadband and telephone services. Continued upgrading of our broadband network and rollout of Fibre-to-the-Home means more households falling within our coverage are now able to enjoy broadband speeds of up to 1Gbps.

Shining Achievements

1

2

The Group garnered more than 40 awards in 2011, representing industry-wide recognition.

Corporate

Feb

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

Mar

Distinguished Global Enterprise Award
Capital Entrepreneur

May

Corporate Social Responsibility Awards 2011
Capital & Capital Weekly

Oct

Ranked 12th with an A rating in environmental, social and governance performance in RepuTex's Top 20 Hong Kong ratings
RepuTex

Selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index

2010 Vision Awards Annual Report Competition (Telecommunications Category) - Silver
League of American Communications Professionals LLC

Nov

2011 International GALAXY Awards Competition (Annual Reports: Telecommunications Category) - Bronze
MerComm, Inc

Mobile Business

Feb

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

Mar

Excellent Services Brand 2010 - Mobility Network Provider
Sing Tao Daily News

Hong Kong Service Awards 2011 - Telecom Service
East Week

e-Trend Award 2010 - Most Innovative Service: 3Books
Ming Pao Daily News

Apr

Hong Kong ICT Awards 2011 - Best Ubiquitous Networking Award - One-stop 3Books Service (Certificate of Merit)
Hong Kong Wireless Technology Industry Association

Service Awards 2011 - Mobile Broadband Service Provider
Capital Weekly

Jun

The Outstanding Brand Awards 2011 - Mobile Network Operator
Economic Digest

The 43rd Distinguished Salesperson Award
Hong Kong Management Association & Sales and Marketing Executives Club 1

Outstanding QTS Merchant Gold Award - AV, Computer & Telecom Products
Quality Tourism Services Association 2

Jul

Yahoo! Emotive Brand Awards 2010 - 11 (Mobile / Internet Service Category)
Yahoo!

e-brand Awards 2011 - The Best of Telecom Service Provider (Digital Category)
e-zone

Aug

Hong Kong Computer Brand Awards 2011 - Telecommunications Category (Mobile Broadband Service)
MetroInfo & The Chamber of Hong Kong Computer Industry

3

4

HKGolden IT Brand Awards 2011 - The Best Mobile Communications Service Provider
hkgolden.com

Oct
The Best SME Partners 2011 - Mobile Communications Network
Economic Digest

Supreme Service Awards 2011 - Telecom Service Provider
Capital CEO

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

Pixel Media

World Communication Awards 2011 - Best Content Service: 3Books
Total Telecom

The Most Favourite Partner Award
China Unicom

Dec
Hong Kong Prestige Corporate Brand Award 2011 - Hong Kong Consumer Grand Award by Category (Mobile Communications Service)
Ming Pao Daily News & The Chinese University of Hong Kong 3

PROchoice Awards 2011 - Mobile Broadband Service Provider
Capital Weekly

Fixed-line Business

Feb
Hong Kong Leaders' Choice
- Excellent Brand of Broadband Service
- Excellent Brand of International Telecommunications Service

Metro Finance

Apr
Service Awards 2011 - Internet Service Provider
Capital Weekly

Jun
The Outstanding Brand Awards 2011
- Internet Service Provider
- International Telecom Service Provider

Economic Digest

Jul
e-brand Awards 2011 - The Best of Telecom Service Provider (Corporate Category)
e-zone

Aug
Hong Kong Computer Brand Awards 2011 - Telecommunications Category
- Commercial Broadband Service
- Residential Broadband Service

MetroInfo & The Chamber of Hong Kong Computer Industry

The Most Preferred Partner 2011
China Telecom

Oct
HKGolden IT Brand Awards 2011 - The Best Residential Broadband Service Provider
hkgolden.com

The Best SME Partners 2011 - Internet Service Provider
Economic Digest

Stevie Awards 2011 - International Business Award (Stevie Distinguished Honouree: Best New Product or Service of the Year - Telecommunications)
The Stevie

Nov
iAwards - The Best Residential Broadband Service Provider
Pixel Media

Dec
Hong Kong Business Awards 2011 - International Award
DHL & The South China Morning Post 4

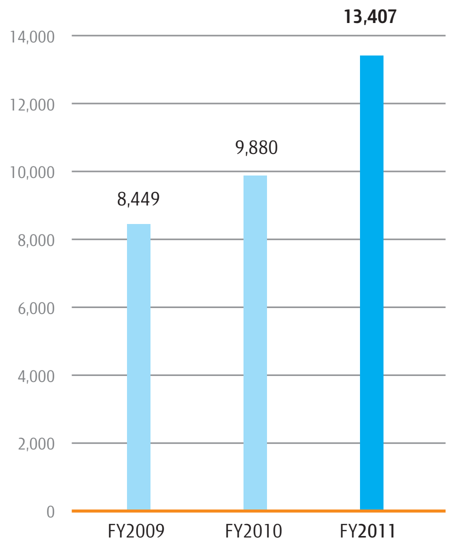
PROchoice Awards 2011
- Internet Service Provider
- International Telecom Service Provider

Capital Weekly

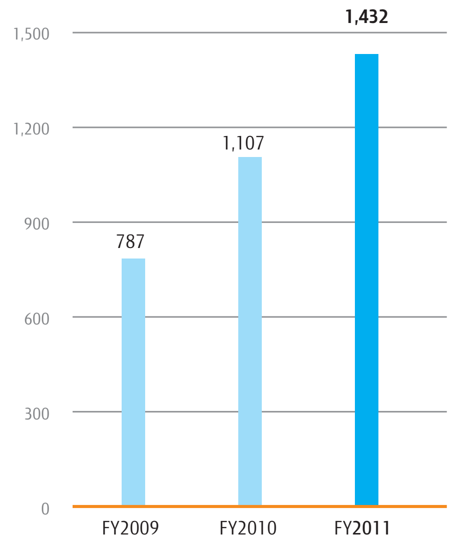
Financial Highlights

(in HK$ millions)

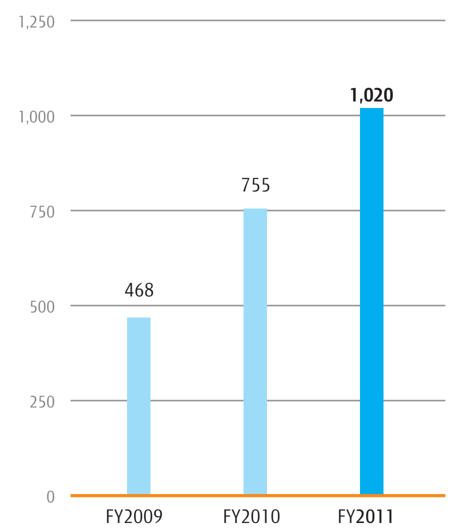
Consolidated Turnover



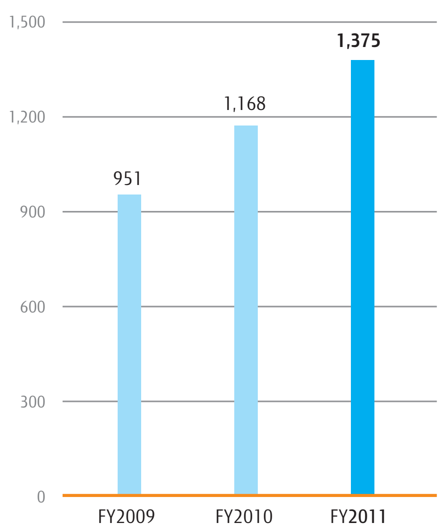
Operating Profit



Profit Attributable to Shareholders of the Company

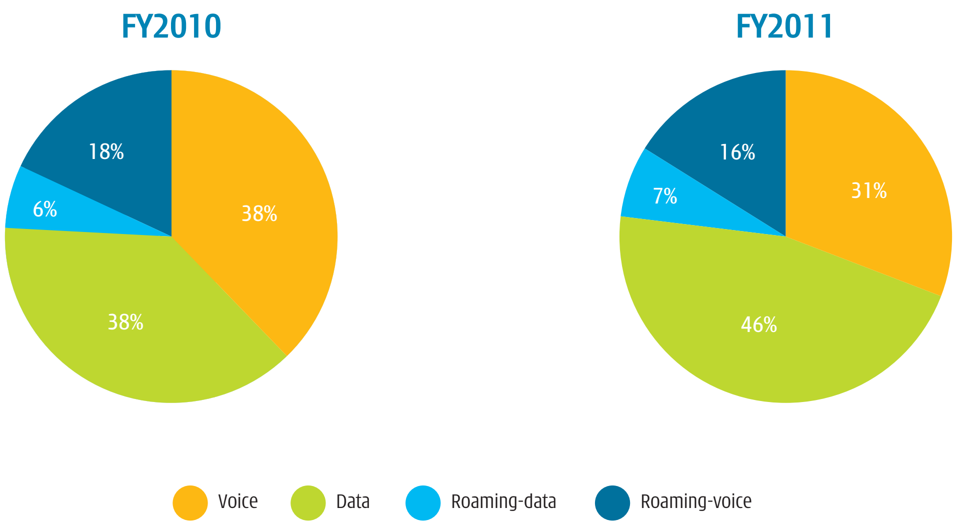


Free Cashflow [1]

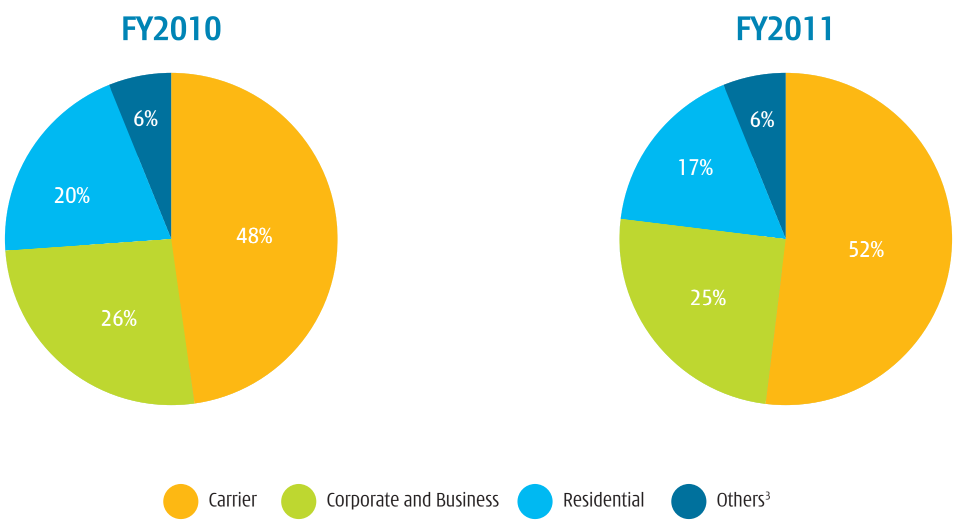


[1] *Free cashflow being cashflow from operating activities less cashflow used in investing activities before payment of spectrum utilisation fee.*

Mobile Service Revenue [2] Mix by Segments



Fixed-line Revenue Mix by Segments



[2] *Mobile service revenue excludes revenues generated from hardware sales.*

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

Chairman's Statement

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

Results

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

Dividends

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

Business Review

Mobile business – Hong Kong and Macau

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

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

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

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

Fixed-line business

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

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

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

Outlook

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

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

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

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

FOK Kin Ning, Canning
Chairman

Hong Kong, 20 March 2012

Operations Review
Mobile Business

- 3.51 million customers in Hong Kong and Macau
- Smart device penetration rate in 3G postpaid market rose to 53%
- Invested HK$619 million in network excellence

The **3** brand has earned a valuable reputation for taking the customer experience to new heights via a succession of innovative, lifestyle-enhancing mobile data offerings.

This positions us well to meet an upwardly-spiralling demand for mobile data driven by smartphone popularity, after building strong market leadership positions in Hong Kong and Macau based on leading-edge infrastructure and services.

At the same time, we continue to develop wireless network infrastructure in order to outpace customer expectation, while promoting the most up-to-date smartphone models, and other mobile devices, and crafting the most competitive tariff packages.

1 “3Broadband Specialist” retail outlets focus on sales of bundled mobile and fixed-line products.

3 Hong Kong

Growth Driven by Increasing Brand Strength

Total subscriber number for **3** in Hong Kong and Macau reached 3.51 million as of 31 December 2011, of which our 3G subscription rose to 2.61 million. This growth was mainly the result of continued efforts to position the **3** brand as the obvious choice for customers searching for innovative services as part of the best possible overall smartphone experience.

During the year under review, our smartphone subscriber base in 3G postpaid market continued to rise, demonstrating success in driving the smartphone trend and meeting the ever-rising demand for bandwidth-hungry services.

Capitalising on Smartphone Popularity

Continuing to harness the iPhone craze as a power source in 2011, **3** bundled attractive offers that delivered optimum value to new and existing customers. In April 2011, launch of the iPhone 4 White was celebrated with a “3ree iPhone White” party in a chic car showroom attended by celebrities and VIP customers. This was followed in November 2011 with launch of the iPhone 4S, which we marked by throwing an overnight party in Central District. Most 3Shops opened at midnight so that eager shoppers could buy the latest iPhone model.

Other handset campaign events included the “**3** GALAXY Night” party, staged to introduce the latest Android-based handset and highlight our commitment to offering the widest choice of smartphone models.

In another move, we launched the first 3D mobile communications platform in partnership with HTC. This was in response to rising popularity of 3D mobile devices, fueled by increased availability of content and applications.

1 Our strategic partnership with Vodafone facilitates favourable roaming and global corporate sales services.

2 **3**Experience Workshop provides customers with customised product training.

3 An overnight party marks launch of the iPhone 4S.

Compelling Services, Applications and Content

3 consolidated all hot smartphone deals by launching the "3ree Power to People" campaign, enabling customers to enjoy our unique array of smartphone benefits for free. Exclusive complimentary offers included the 3Screen Annual Movie Pass, dining and beverage privileges via the 3LKF Selects Annual Pass and year-round handset-replacement protection.

3 Hong Kong is committed to spearheading the pay-per-day data-roaming tariff plan trend in Hong Kong. Leveraging well-established relationships with leading mobile operators in multiple countries, our Data Roaming Daily Pass coverage was extended to 52 destinations, with major regions now including Asia-Pacific, Europe, the Americas, the Middle-East and Africa. Striving to boost total peace of mind, cross border Short Message Service ("SMS") and special tariff rates related promotions were launched. Recognition of these merits gave rise to a significant growth in 2011 in terms of both data roaming usage and subscriptions.

As a roaming service pioneer, **3** Hong Kong became the first mobile operator to offer Mainland China 3G 1-card-2-number ("IC2N") service in co-operation with China Unicom. Customers enjoy special tariff rates and 3G connectivity for voice calls, SMS and high-speed data services while traveling in China. The IC2N customer base and call usage increased encouragingly in 2011.

In September 2011, we announced a strategic alliance with Vodafone that facilitated favourable roaming and global corporate sales terms. The tie-up enables us to enjoy Hong Kong access to the tailored devices and services of the world renowned operator. This helps provide our customers with enhanced network coverage, harmonised roaming rates across multiple countries and greater cost efficiencies.

Our range of lifestyle-enhancing "infotainment" applications and services were strengthened with offers that included KKBOX Music – providing access to the world's largest Chinese music library and 3Books – market leading magazine and book e-library that won Best Content Service award in the World Communication Awards 2011.

4 A spectrum of compelling services are available under the **3** brand.

During the year, we introduced a "Facebook for Feature Phones" application to promote social networking mobility among Java-powered feature phone users. This means customers are no longer constrained by device type limitations when using a Facebook account. In fact, **3** Hong Kong was among the pioneers in the world to launch this new application, which has been optimised for speed and performance on the network of **3** Hong Kong and uses as little data as possible.

3 Hong Kong also co-operated with group buy sites such as Groupon to offer 3Jetso, which provides a variety of exclusive offers to 3Home Broadband and mobile customers. In addition, we worked with Dropbox, a well-known consumer cloud storage service provider, to offer our customers extra storage on an exclusive basis.

Another "first" scored by **3** Hong Kong in 2011 was launch of Anyplex, a mobile and TV application that opens up mobile handset access to thousands of Hollywood and Asian films.

Largest Retail Presence with Personalised Customer Service

A project that began in 2010 to upgrade our high-street presence with launch of the futuristic **3** Concept Store in Hong Kong's Central District resulted in the largest number of retail outlets run by any local mobile operator brand by end of 2011. Our high street presence is further strengthened by links with Hutchison Whampoa Group retail chain stores, such as Watsons and Fortress.

A trendy design facilitates shopper-friendly simplicity and provides the ideal environment for generating satisfaction among discerning customers. A one-stop approach meets virtually every communications need, especially for those expecting helpful guidance when choosing smartphones, other wireless devices and broadband service.

A dedicated consultation corner is available, along with a facility to demonstrate smartphone and wireless device models, plus an information and self-service kiosk and an express counter for device/plan upgrade convenience.

Year 2011 also saw launch of the 3Mall online store, which provides 24-hour sales service presented in a fun and creative style. This convenient retail concept includes a "fitting room" for tailor-made sales, along with an instant trade-in price offer when purchasing the latest models and the most up-to-date bargains, plus a simple sign-in function for existing customers.

2 A cosplay artist demonstrates how **3** ties in the most up-to-date mobile devices and lifestyle-enhancing applications such as 3Books.

1 Data Roaming Daily Pass coverage was extended to 52 destinations in early 2012.

A hallmark of our overall offer to the marketplace centres on quality of pre and after-sales service. As well as seeking to own the most expansive point-of-sale footprint, we have opened new hotline centres, along with the 3Devices Service Centre and 3Experience Workshop. These provide accessible hotline, repair and customised product training to meet sophisticated customer needs. In addition, online customer support includes the "eCS Ambassadors" instant chat service to expedite billing and technical enquiries on an anytime, anywhere basis.

Quest for Network and Service Excellence

Our constant pursuit of network excellence and overall service quality prompted infrastructure investment amounting to HK$619 million during 2011.

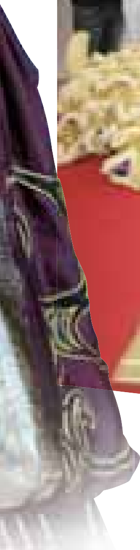
We continue to invest in network projects through additional site coverage, capacity expansion and acquisition of radio spectrum wherever and whenever possible.

We made a successful bid for a block of spectrum in the 900MHz band in an auction run by the Office of the Telecommunications Authority of Hong Kong in early 2011. This additional network bandwidth assures our customers of the full benefits of the modern broadband era, while solidifying our market leadership. In short, acquisition of this valuable resource expands network capacity, enhances coverage and improves the user experience.

A far-sighted move to keep up with escalating bandwidth demand began in 2011 with a "re-farming" exercise to transform GSM900 spectrum – originally deployed for 2G communications – for 3G service provision.

Genius Brand Limited – a 50:50 joint-venture with an indirect wholly-owned subsidiary of HKT Limited – engaged telecommunications equipment vendor Huawei to deploy 4G Long Term Evolution ("LTE") network infrastructure. In addition, we signed an agreement with Huawei to facilitate evolution of core networks to LTE Evolved Packet Core specification, as well as provision of solutions for network resources management and end-to-end Quality of Service Experience management.

This LTE infrastructure deployment will help satisfy rising customer expectation in terms of quality and efficiency. Among other improvements, end users will enjoy a better overall mobile broadband Internet surfing experience, higher resolution of streamed video content and improved interactivity.



3 The largest **3** Concept Store opens for business in North Point.

4 3Books brings an unprecedented reading experience to Macau.

5 A series of prepaid products were launched to meet the Macau roaming needs of business visitors and tourists.

3 Macau

In 2011, the increasingly popular **3** brand introduced a series of prepaid products to meet the roaming needs of a substantial influx of business visitors and tourists.

An upgrade of the HSPA+ network of **3** Macau saw mobile broadband transmission speeds reaching 21Mbps in mid-2011, while coverage was improved by the addition of cell sites in newly-built developments.

Rising popularity of smart devices coupled with network technology advancement is prompting more customers to migrate to 3G service. As a result, nearly all our Macau customers had become 3G subscribers as of 31 December 2011. We launched a series of campaigns to deepen smartphone penetration, while achieving first-mover advantage by introducing the latest smart devices.

Outlook

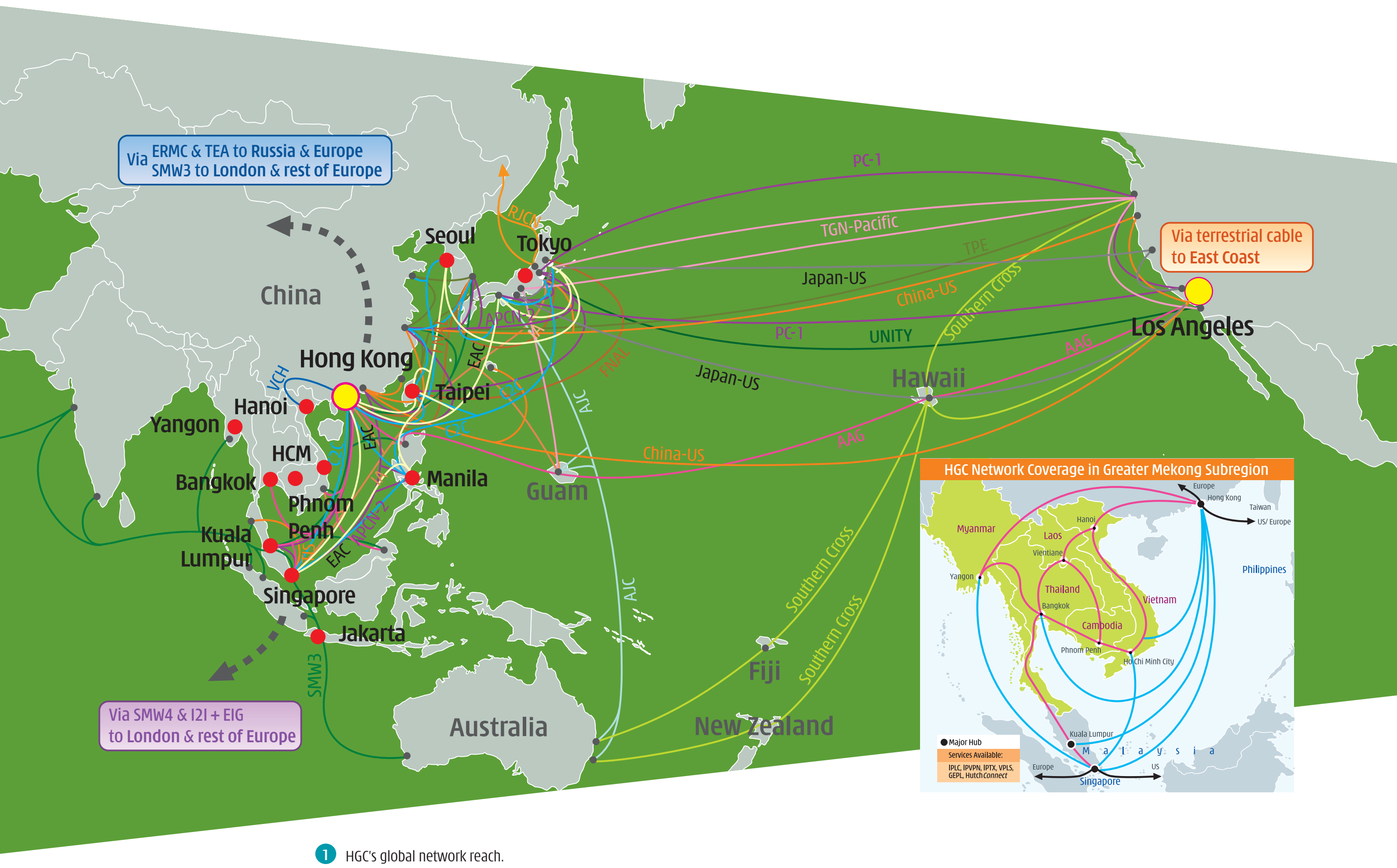
Demand for mobile data services is expected to escalate, driven by increasingly-sophisticated smart mobile devices entering the market, along with a steady flow of new end-user applications, and video entertainment offerings - all requiring greater bandwidth.

More **3** Hong Kong retail shops are planned to extend our lead in point-of-sale coverage and keep pace with overall demand from the local mobile broadband user community.

Addition of the corporate partners of Vodafone to our customer portfolio will further strengthen our customer base in this lucrative market, while generating data and voice usage growth in the business sector. Meanwhile, the vast customer base of Vodafone will benefit our efforts in driving up roaming revenue.

Our leadership in serving the mobile broadband market – in conjunction with our **3** brand image as the "obvious choice" in the smart mobile device era – positions us extremely well to reap the benefits of an explosion in data usage.

Operations Review
Fixed-line Business



1 HGC's global network reach.

During 2011, Hutchison Global Communications Limited ("**HGC**") invested HK$529 million in its Hong Kong network infrastructure, representing more than 15% of fixed-line turnover and demonstrating an ongoing commitment to network excellence.

HGC runs an extensive coverage of fibre-optic network in Hong Kong, with four terrestrial fibre connections to the telecommunications operators in mainland China at Man Kam To, Lo Wu, Lok Ma Chau and Shenzhen Bay. In addition, growing submarine cable capacity enabled us to extend our international coverage to yet more cities in Asia, the Americas, Europe and the Middle East with co-operation of carriers around the world.

Our core IP backbone network enabled us to expand and enhance Gigabit Access Network of **HGC** in 2011 to address the sophisticated demands of industries such as the financial services and insurance sector with low-latency, high-bandwidth and highly-resilient services.

- Invested HK$529 million in network infrastructure
- International business with global reach
- Commanding a major share in local carrier market
- 1Gbps residential broadband service in offer

2 A dedicated management team leads the International Business Division.

International Market

Establishing a solid international services platform for both mobile and fixed domains has enabled **HGC** to continue expanding international coverage, create network diversity and enhance service scope.

Our "carriers' choice" status has been reinforced among telecommunications operators, Internet service providers, multinational corporations and enterprises, while our network reach now includes more cities in Europe with co-operation of local country-based carriers.

Data

The year under review saw continued penetration of the data market, along with a growing customer base across the Greater Mekong Subregion, as well as the Middle East. In addition, our business reach was extended to the growing economies of India, Nepal and Pakistan.

An ongoing series of co-operation arrangements with country-based carriers is set to extend **HGC** service coverage to markets all over the world. In Africa, for example, we now reach Sudan and Zimbabwe as well as Brazil in South America, together with countries that have limited access such as Kazakhstan, Kyrgyzstan and Uzbekistan. Entry to these new markets helps us acquire international corporate customer organisations that want to enter these geographies from other parts of the world.

This has created opportunities to serve new carriers and enterprise customers seeking to outsource their network needs, which is differentiating **HGC** from other players.

Voice

In 2011, **HGC** increased interconnections to reach more than 320 carriers, while establishing direct mobile connections with 130-plus operators throughout more than 65 countries, and providing video coverage in 55 countries via 135 operators.

1 An experienced management team leads the Corporate Business Division.

2 HGC is one of the accredited SDNet/2 service vendors for Hong Kong Exchanges and Clearing Limited.

New developments in 2011 included unlimited International Direct Dialing ("IDD") partnership expansion, as well as a new unlimited weekly IDD plan to reach a number of different destinations.

In addition, we increased the number of minutes handled by voice platform of **HGC** via the extension of our voice network into Europe and the United States of America.

Services

Year 2011 saw continued expansion of a highly-meshed network, enabling provision of a full-spectrum of data services that include International Private Leased Circuit, Global Ethernet Private Line, IP Virtual Private Network ("IPVPN"), Virtual Private LAN Service and IP transit, as well as new Voice-over-IPVPN and WAN optimisation services. This was complemented by provision of a wide-scale IP-based network to cope with the trend of using IP as a general transmission protocol.

HGC continued to improve service and value for customers. This included launch of our network outsourcing service to address the needs of telecommunications carriers and multinational corporations opting to rely on **HGC** for global network establishment and local service support. The solution involves our provision of hardware equipment and network infrastructure, along with round-the-clock remote hands service management, all in local markets as required by customers.

Growth has been fueled by the need to provide cloud applications for the end-user market, along with a one-stop-shop solution service for Internet content providers and application service providers that amounts to a bundling of international connectivity, co-location and systems integration capabilities. This has resulted in more content and applications being hosted by the network of **HGC**.

Network Enhancement

HGC continued a strategy of developing Hong Kong as a global telecommunications hub in order to extend our international footprint. Our network enhancement approach is also supported by hubs in Singapore, Los Angeles, Japan, New York and London, which provide our network design with robustness and resilience, complementing network penetration into emerging markets such as the Greater Mekong Subregion, Africa and the Middle East. This has given rise to highly-meshed, world-class telecommunications services and an increase in network-to-network connections that extend coverage into new regions, with a focus on maximising opportunities as part of our market strategy.

Business Alliances

We chair the Conexus Mobile Alliance, which comprises 11 mobile operators in Asia throughout 13 member countries serving more than 320 million customers. The alliance was established to enhance the customer roaming experience and develop international roaming services to meet upwardly-spiralling end-user expectations.

At the same time, a strategic alliance between Vodafone and certain members of Conexus provides Vodafone's customers with greater support in Asia, while meeting our corporate customer requirements and roaming needs.

3 HGC launches the first integrated cloud platform for the education sector.

Local Carrier Market

Infrastructure made up of optical-fibre enables **HGC** to lead in provision of high-speed Metro Ethernet leased lines to the mobile operators of Hong Kong. Known as "backhaul", these networks carry land-based traffic at high speed between the Internet and mobile phone cell sites.

Our leadership was reinforced in 2011 when **HGC** launched the Gigabit Access Network to provide such mobile cell sites with Gigabit Ethernet leased lines. This resulted in a local Ethernet network aiming to boost the highest-bandwidth to equip mobile operators with leased lines. Operators can upgrade bandwidth to each cell site to up to 1Gbps in easily-scalable fashion. This far-sighted move was also significant because the huge capacity now available will be sufficient to meet the bandwidth-hungry needs of the new LTE era, which will involve transmission of vast amounts of data to a wide variety of end-user devices.

Corporate and Business Market

Banking and Finance Industry Plus Public Sector and SME Community

As a leading one-stop ICT service provider, **HGC** addresses the needs of the corporate community of Hong Kong with a full range of off-the-shelf or customised offerings that commonly involve broadband, local data, hosting, data centre and mobility services. Our revenues in this market continue to grow from managing the sophisticated needs of the banking and finance industry, as well as public sector and SME community, by producing tailored solutions based on leading-edge technologies.

This was also reinforced by enhancement of our Dense Wavelength Division Multiplexing ("DWDM") network, plus provision of 1Gbps-10Gbps MetroLambda service. This technology enables multiple circuits to be carried by just one fibre to connect data centres and offices. It also provides the highest resilience and service levels, as well as a complete spectrum of network interfaces to support mission critical applications.

HGC became one of the accredited Securities and Derivatives Network ("SDNet/2") service vendors of Hong Kong Exchanges and Clearing Limited ("HKEx") in 2011 to provide leased line service to exchange participants and information vendors. **HGC** was able to meet all technical requirements and committed to satisfy every service level defined by HKEx, in terms of providing service for exchange participants and information vendors. This success demonstrates our commitment to deliver world-class service, while bolstering our well established position in the corporate and business market.

As well as serving large corporations, we have strengthened our position as a preferred partner to small-and-medium-sized enterprises by offering customised services including telephone, IDD and call centre outsourcing and broadband coverage enhancement with speeds of up to 1Gbps to serve mission critical applications.

Cloud Computing and Data Centres

Significant moves towards leadership of the emerging cloud computing market in Hong Kong were made in 2011 by collaborating with industry giants. Collaboration was made with a number of leading ICT solution and services partners, including Dimension Data and Oracle, to provide the next generation of industry-based cloud services to the corporate and business market.

Such collaboration built on an already strong and well-established capability comprising one of the most extensive FTTB networks in Hong Kong, world-class data centres, colocation, facilities management and innovative telecoms solutions – all making **HGC** a prime candidate for local cloud computing supremacy.

These moves followed strategic collaboration with Microsoft Hong Kong to make the benefits of cloud computing accessible to SMEs, as well as other entities usually lacking substantial IT resources, such as schools and non-government organisations.

We have been serving the data centre needs of local and international corporate customers, such as those in the banking and finance sectors, for many years and now run facilities in Hong Kong Island and the New Territories. These geographically-dispersed tier-3+ data centres have been accredited with internationally recognised certification and provide our premium customers with one-stop-shop IT solutions, managed services and disaster-recovery capabilities.

Education Sector

HGC is a leading Internet service provider in the primary and secondary schools in Hong Kong. In terms of network coverage, we cover majority of local primary and secondary schools in Hong Kong. In 2011, our leadership was strengthened by launch of 1Gbps broadband service to meet rising demand for bandwidth.

HGC eduCloud Service is structured to allow customers to choose the combination of high-speed bandwidth, virtualised cloud facilities and eduCloud applications that best meet their needs. For just a single monthly fee, customers can begin eLearning projects immediately, regardless of scale or size, and enjoy the many advantages delivered by **HGC** eduCloud Service, along with professional support, all at affordable cost.

We also acted as commercial partner to a number of schools during the pilot stage of the eLearning project of Hong Kong Education Bureau. In this regard, we have provided support such as broadband service upgrades, Wi-Fi network design and infrastructure consultancy, as well as a more-recently established cloud platform from which to access eLearning content.

Consumer Market

Provision of high-speed broadband Internet services remains our prime focus. More than 1.5 million households fall within our Hong Kong homepass coverage, representing one of the most extensive, highly-scalable and resilient Fibre-to-the-Building ("FTTB") networks in the territory. We offer symmetrical speeds up to 1Gbps and have introduced exclusive valued-added services to enhance the overall broadband end-user experience.

1 "I Wanna Go Home" campaign heightens recognition of 3Home Broadband in the market.

During 2011, we seized the initiative in the local broadband market with launch of the 3Home Broadband "I Wanna Go Home" campaign, based on a fresh and exciting online experience. This heightened recognition of our brand in the marketplace and was supported by an expanded distribution network and professional 3Home-Runner installation team.

Under the banner "Love Speed! Love Going Home!", our 3Home Broadband service was designed to enhance lifestyles with a combination of advanced fibre-optic connectivity and packages of diverse content for all ages. "Fooz Kids" is a parent-controlled application that enables children to browse online content specific to age and interests, while 3Jetso provides exclusive offers to 3Home Broadband customers via various group buy sites and "Shot'n Print" provides an online photo-print service across mobile and fixed-line platforms. "KKBOX" opened up access to the largest database of Chinese songs and high-definition music videos in the world, while 3Books, an award-winning application, offers a database of more than two million fiction/non-fiction books, magazines, photo books and comics.

As these value-added services grow in popularity, 3Home Broadband continues to roll out increasingly more family-oriented content and arrange joint promotions with well-known vendors to maximise broadband enjoyment for our residential customers.

During 2011, we introduced "3Broadband Specialist" retail outlets with a strategic focus on sales of bundled mobile and fixed-line products to existing customers. We now aim to enhance our customers' shopping experience with more tailored offerings such as value-added service training.

Outlook

Internationally, our ongoing geographical expansion plan will enable further development of our "carrier's choice" offer in various regions. Meanwhile, continued development of new services integrating international mobile and fixed-line network services over a single IP network is set to meet a new wave of broadband demand. We also aim to collaborate with global exchange organisations, with a view to launching a world-class platform and developing Hong Kong as a premier Internet exchange hub in Asia.

Our 2011 launch of a Gigabit Access Network, which provides mobile cell sites with Gigabit Ethernet leased lines will help **HGC** consolidate its position as the preferred choice of backhaul provider, especially when mobile operators roll out LTE in 2012 and beyond.

On the business side, we continue investing to increase our coverage of commercial buildings, while launching a Gigabit Passive Optical Network broadband service. A new phase of our data centre in Wong Chuk Hang is currently under construction, with the aim of going live in 2012 to serve mainly financial services players and international enterprises with co-location and facilities management offerings.

From a consumer market perspective, our FTTB network is able to extend household coverage across the local residential market and offer ultra-high speed broadband services up to 1Gbps, thereby positioning us well to increase market share.

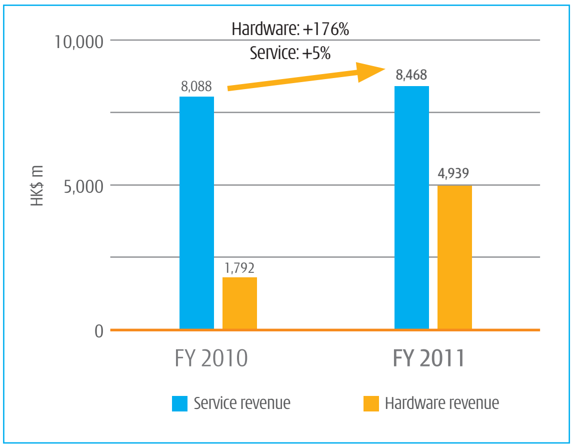
Management Discussion and Analysis

Financial Review

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

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

Consolidated turnover

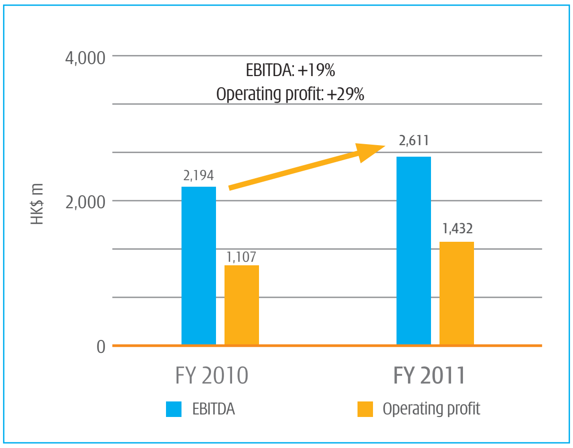


EBITDA rose by 19%, from HK$2,194 million in 2010 to HK$2,611 million in 2011 while operating profit grew from HK$1,107 million in 2010 to HK$1,432 million in 2011, reflecting an increase of 29%.

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

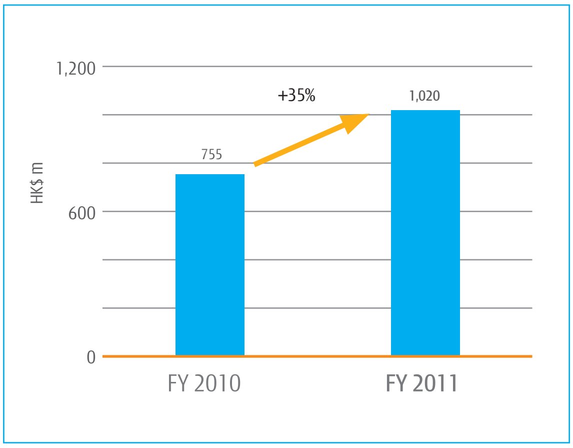
Share of losses of jointly-controlled entities dropped from HK$21 million in 2010 to HK$4 million in 2011. Taxation for the year decreased from HK$63 million in 2010 to HK$49 million in 2011.

EBITDA and operating profit



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

Net profit



Business Review

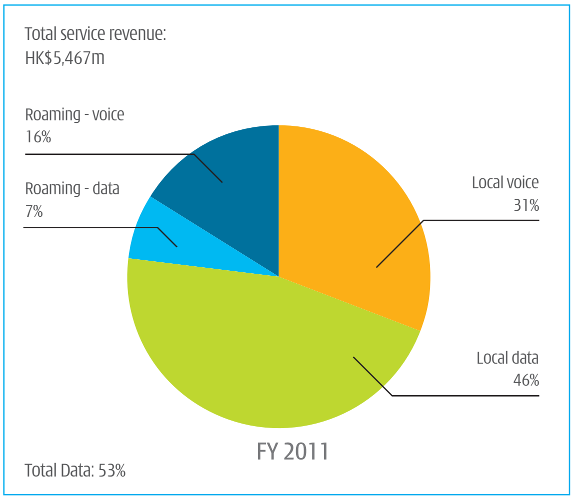
The Group is engaged in two principal businesses – mobile and fixed-line.

Mobile business in Hong Kong and Macau

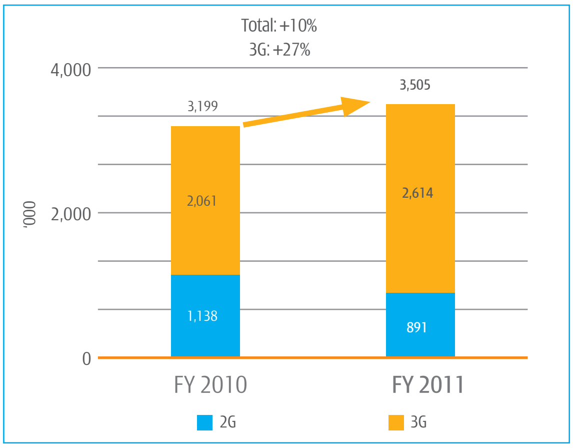
Year 2011 saw a record growth in our mobile telecommunications business which accounted for over 70% of consolidated turnover. Turnover for our mobile operations increased by 50% from HK$6,950 million in 2010 to HK$10,406 million in 2011, driven by growing popularity of smart devices. Service revenue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

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

Mobile service revenue

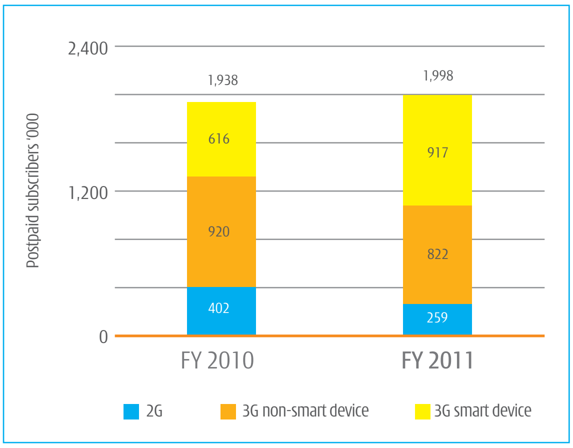


Total subscribers



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

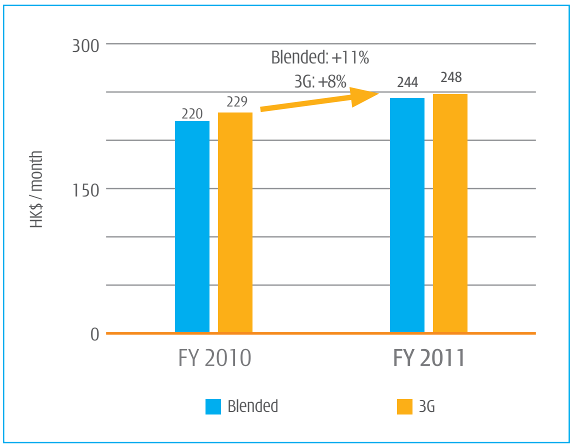
Smart device penetration



Increased availability of smart devices added further boost to ARPU growth. Our blended postpaid ARPU increased from HK$220 in 2010 to HK$244 in 2011 with 3G ARPU rising from HK$229 in 2010 to HK$248 in 2011.

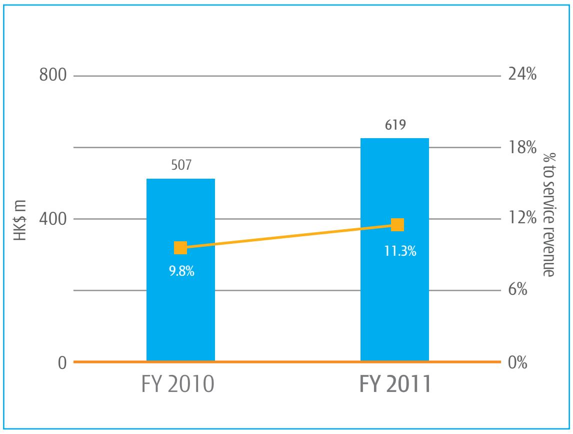
EBITDA increased by 38% from HK$1,238 million in 2010 to HK$1,712 million in 2011, mainly as a result of turnover growth benefiting from strong telecommunications hardware sales and demand for data services, as well as carefully-executed cost-planning initiatives. Operating profit increased by 49% from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

Postpaid ARPU



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

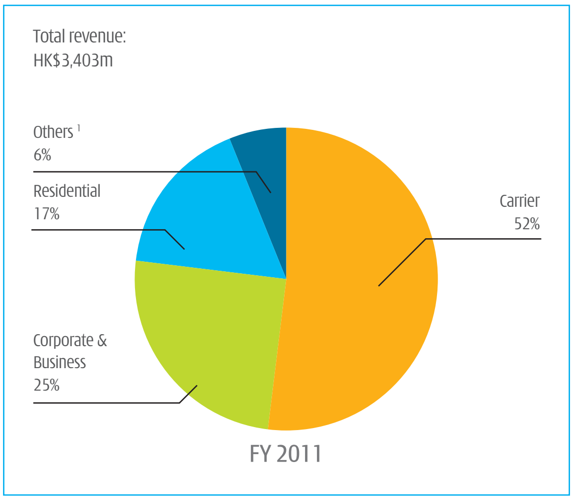
Mobile capex



Fixed-line business

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

Fixed-line revenue

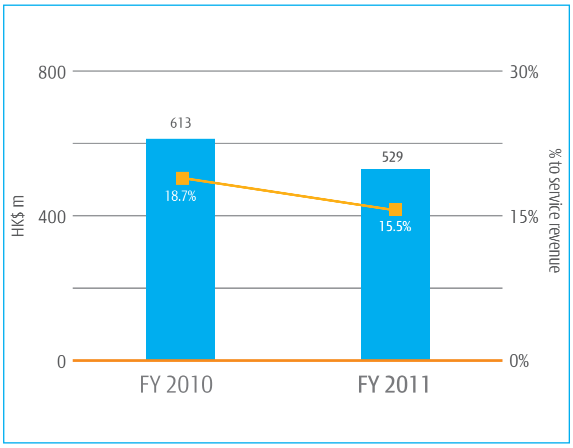


[1] Others include revenue from interconnection charges and data centres.

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

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

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

Cash management and funding

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

Interest rate exposure

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

Foreign currency exposure

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

Credit exposure

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

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

Liquidity and Capital Resources

The Group is financed by share capital, internally-generated funds and external borrowings. During the year ended 31 December 2011, an additional 2,250,000 shares of HK$0.25 each were issued upon exercise of share options under the share option scheme of the Company. As at 31 December 2011, the Group recorded share capital of HK$1,205 million and total equity of HK$10,413 million.

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

Cash Flows

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

Charges on Group Assets

As at 31 December 2011, except for certain shares of a 50:50 joint venture owned by the Group which were pledged as security in favour of another joint venture partner under a cross share pledge arrangement, no material assets of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the year ended 31 December 2011 was HK$1,148 million, compared to HK$1,119 million in 2010, reflecting our continued investment in network upgrade and expansion to support business growth.

Acquisition of Radio Spectrum

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

Contingent Liabilities

As at 31 December 2011, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$810 million (2010: HK$704 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Telecommunications Authority of Hong Kong in respect of our spectrum licence obligations.

Capital Commitments

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

Environmental, Social and Governance Report

1 The Group encourages employees to take part in work-life balance activities and community service.

2 3 Staff members play an active role in community service.

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 and executing management decisions via our hard-working and dedicated employees.

Stakeholder Engagement

Dialogue is maintained with stakeholders that include shareholders, customers, employees, suppliers, creditors, regulators and the public. We seek to balance the views and interests of these various stakeholders through constructive conversations with a view to charting a course for the long-term prosperity of the Company 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 the transparency of the Company.

4 We support community and charitable activities with cash donations and service sponsorship.

5 Children from the Families of Spinal Muscular Atrophy Charitable Trust have fun at a 3Experience Workshop.

Customers

Customer feedback plays a very important role in the operation of the Group. We deploy numerous mechanisms to gather customer comments and recommendations so as to improve our products and services. New technologies, such as social networking tools, are used to gather customer views.

Employees

Hard-working and dedicated employees are the backbone of a company. 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 / suppliers

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

Government / 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 Company. A stable and prosperous community is important to the steady growth and long-term future prospects of the Group.

Workplace Quality

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

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 plus 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.

1 Senior citizens are introduced to the world of mobile communications in which to experience user-friendly phones and service.

2 Our volunteer interacts with youngsters from the Hong Chi Association.

Heavy emphasis on career development translates into extensive and ongoing training, according to the need of the Group. We also encourage employees to take part in work-life balance activities and community service. During 2011, these included employee outings, sports events, community volunteering and charitable organisations support.

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 the premises of the Group. The Group also engages with employees in order to address occupational health and safety issues in a positive manner.

Environmental Protection

The Group has been awarded a "RepuTex A" rating and was ranked 12th in environmental, social and governance performance (ESG) in RepuTex's Top 20 Hong Kong ratings.

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.

Management of our office building involves use of Nanoflex reflectors for illumination, which helps reduce the number of lighting fixtures and power consumption. We also installed building management system software to control air-conditioning and the lighting system in order to achieve energy conservation. Recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy, resulted in more efficient use of resources, as well as reduction of waste.

Operating Practices

Consumer interest protection

A high priority of the Group is to ensure our customers satisfaction experience when using our products and services. We have implemented strict data protection mechanisms to ensure confidentiality of our customers' data, and 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 training to ensure customers' personal data is protected.

3 Children benefiting from the Meal-subsidy Plan organised by the Hong Chi Association enjoy reading with our volunteers.

4 Mobile phones are donated to charity organisations to help get the community better connected.

Anti-corruption

The Group takes its anti-corruption responsibilities very seriously. In 2011, we organised numerous Corporate Governance seminars to review good business practices, anti-corruption measures and guidelines, and operating practices and business ethics. All managers are expected to communicate and instill a culture of good corporate governance to their staff. In addition, we have updated several group policies, including those relating to anti-bribery and anti-corruption.

Serving the Community

We uphold a firm commitment to serving the community by organising charity programmes that support a vast range of social activities. In 2011, a donation of about HK$500,000 was made to charitable organisations.

We took the initiative to organise 3Experience Workshops for children supported by the Families of Spinal Muscular Atrophy Charitable Trust. Our employees acted as hosts and introduced members of the Trust to the fun of mobile communications and the latest mobile devices.

Mobile phones were donated to charity organisations including the Hong Kong Red Cross, The Tung Wah Group of Hospitals, St James' Settlement, the Social Work Services Division of Caritas-Hong Kong and the Christian Nationals' Evangelism Commission Aged People Centre.

The Group supported the Meal-subsidy Plan organised by the Hong Chi Association by sponsoring students from underprivileged families with free lunch. Hong Kong Single Parents' Association members benefited from our cash donations to an adult education subvention scheme that provided members with re-training courses.

Throughout 2011, we supported social and charitable organisations in fundraising events, sports activities, health promotions and social welfare programmes – either in the form of cash donations, service sponsorship or provision of free publicity via SMS and bill inserts.

The Board and Senior Management

Board of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 60, has been the Chairman and a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mrs Chow Woo Mo Fong, Susan, a Non-executive Director of the Company, since 11 May 2010. He is also a member of the Remuneration Committee of the Company. He is an executive director and the group managing director of Hutchison Whampoa Limited ("HWL"), the chairman of Hutchison Harbour Ring Limited ("HHR"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPH") (as trustee-manager of Hutchison Port Holdings Trust) and Power Assets Holdings Limited ("Power Assets") and the co-chairman of Husky Energy Inc. ("Husky"). He is also the deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"). In addition, he is a non-executive director of Cheung Kong (Holdings) Limited ("CKH"), and a director of Hutchison International Limited ("HIL") and Ommaney Holdings Limited ("OHL"). The aforementioned three companies (namely CKH, HIL 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 61, has been the Deputy Chairman and a Non-executive Director of the Company since 4 March 2009. He is a director of Hutchison Telecommunications Group Holdings Limited ("HTGHL"), a substantial shareholder of the Company within the meaning of Part XV of 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 Hutchison Whampoa group. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was the managing director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK", a subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in Hong Kong, China, Taiwan and Macau from 1996 to April 2000. From May 2001, he oversaw a number of the telecommunications operations and new business development of the Hutchison Whampoa group in particular as an executive director and the chief executive officer of Hutchison Telecommunications International Limited from 2004 to 2010. He holds a Bachelor of Science degree.

WONG King Fai, Peter

Executive Director and Chief Executive Officer

Wong King Fai, Peter, aged 63, has been an Executive Director and the Chief Executive Officer of the Company since 4 March 2009. He is currently, and has been since March 2004, an executive director of Hutchison Global Communications Holdings Limited (a subsidiary of the Company). He joined the Hutchison Whampoa group in 1996 as technical director of HTHK and was promoted to the position of fixed network director of HTHK in 1998 where he was responsible for the establishment of infrastructure, service and market development of its fixed network business. He was the chief executive officer of Hutchison Global Communications Limited ("HGC", a subsidiary of the Company) from 2000 to 2005, and is currently the chief executive officer of HTHK. Before joining HTHK, Mr Wong gained extensive telecommunications experience with Cable & Wireless Hongkong Telecom through various senior roles. He holds a Master's degree in Telecommunications from the University of Birmingham, the United Kingdom and is a Fellow of The Hong Kong Institution of Engineers.

CHOW WOO Mo Fong, Susan

Non-executive Director

Chow Woo Mo Fong, Susan, aged 58, has been a Director of the Company since 2007 and designated as a Non-executive Director of the Company since 4 March 2009. She is an executive director and the deputy group managing director of HWL, an executive director of CKI, HHR and Power Assets, 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 an alternate director to directors of each of CKI, Power Assets, HTAL, TOM Group Limited ("TOM Group") and HPH (as trustee-manager of Hutchison Port Holdings Trust). She was previously a non-executive director of TOM Group. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

Non-executive Director

Frank John Sixt, aged 60, has been a Non-executive Director of the Company since 4 March 2009. He is an executive director and the group finance director of HWL, the non-executive chairman of TOM Group, an executive director of CKI and Power Assets, a non-executive director of CKH and HPH (as trustee-manager of Hutchison Port Holdings Trust), and a director of HTAL and Husky. In addition, he is a director of Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust, Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust, HIL, OHL, HTGHL, HTIHL and HTHL, all of which and CKH and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also an 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 58, has been a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mr Frank John Sixt, a Non-executive Director of the Company, since 11 May 2010. He is an executive director of HWL, the deputy chairman of HHR, and a director of HTAL. In addition, he is a director of HIL, which and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also an alternate director to directors of each of HHR and HTAL. He has over 28 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 64, has been an Independent Non-executive Director of the Company since 3 April 2009 and Alternate Director to Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director of the Company, since 8 March 2010. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of CKH, CKI, CNNC International Limited, Creative Energy Solutions Holdings Limited, Excel Technology International Holdings Limited, New World Department Store China Limited, SPG Land (Holdings) Limited, TOM Group and BTS Group Holdings Public Company Limited and an executive director and the deputy chairman of Worldsec Limited. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is a member of the Securities and Futures Appeals Tribunal in Hong Kong and a member of Advisory Committee of the Securities and Futures Commission. Mr Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

LAN Hong Tsung, David

Independent Non-executive Director

Lan Hong Tsung, David, aged 71, has been an Independent Non-executive Director of the Company since 3 April 2009. He is the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently the chairman of David H T Lan Consultants Limited. He is also an independent non-executive director of CKI, HHR, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust), ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust), SJM Holdings Limited and Nanyang Commercial Bank, Limited. He is also a senior advisor of Mitsui & Company (Hong Kong) Limited. Mr Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

WONG Yick Ming, Rosanna

Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 59, has been an Independent Non-executive Director of the Company since 3 April 2009. She is a member of the Audit Committee of the Company. She is currently a member of the National Committee of the Chinese People's Political Consultative Conference, and serves as a member of the Commission on Strategic Development 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 the executive director of The Hong Kong Federation of Youth Groups, a director of The Hongkong and Shanghai Banking Corporation Limited and an independent non-executive director of CKH. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, she is the non-executive chairman of 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 44, 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 also a non-executive director of ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust). He is also an alternate director 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 22 years of experience in banking, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. Mr Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Senior Management

Edith SHIH

Company Secretary

Edith Shih, aged 60, has been the Company Secretary of the Company since November 2007. Ms Shih is the head group general counsel and the company secretary of HWL. She is an executive director and the company secretary of HHR, a non-executive director and the company secretary of Hutchison China MediTech Limited and the deputy secretary of HPH (as trustee-manager of Hutchison Port Holdings Trust). In addition, she is a director of HIL as well as a director and the company secretary of various HWL group companies. HWL and HIL are substantial shareholders of the Company within the meaning of Part XV of the SFO. She holds a Bachelor of Science degree in Education, Master of Arts degrees and a Master of Education degree. She is a qualified solicitor in Hong Kong, England and Wales and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

TAN Yuen Chun, Jennifer

Chief Financial Officer

Tan Yuen Chun, Jennifer, aged 48, has been the Chief Financial Officer of the Group since August 2005 and joined the Group in May 1996. Ms Tan has been the finance director of HTHK since 2000 and was appointed the Chief Financial Officer of HTHK and HGC in 2005. Before joining the Group, Ms Tan gained extensive financial management experience with various Fortune 500 multinational corporations. She is a qualified accountant and holds a Master's degree in Business Administration from the University of Warwick in the United Kingdom. She is member of several professional accounting associations, including the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She has also completed The Cambridge-HKU Senior Executive Programme and Stanford Senior Executive Leadership Program. Ms Tan has more than 15 years' experience in telecommunications.

LUNG Pui Ying, Amy

Chief Operating Officer (Mobile)

Lung Pui Ying, Amy, aged 52, has been the Chief Operating Officer (Mobile) of the Group since May 2007, after having joined the HWL group in July 2001 as director of operations of OHL. She then became consumer market commercial director of Hong Kong operations. Prior to joining the HWL group, Ms Lung held various management positions at a number of mobile communications operators in Hong Kong, dealing with local and international projects. She holds a Master's degree in Business Administration from Newport University. Ms Lung has more than 25 years' experience in telecommunications.

CHUNG Yiu Man, Daniel

Chief Technology Officer (Mobile)

Chung Yiu Man, Daniel, aged 44, has been the Chief Technology Officer (Mobile) of the Group since joining in June 2008. Mr Chung is responsible for network engineering, operations and IT development aspects of mobile business. He holds a Master's degree in Business Administration and has more than 21 years' experience in telecommunications.

HO Wai Ming

Chief Executive Officer (Macau)

Ho Wai Ming, aged 58, has been the Chief Executive Officer (Macau) of the Group since April 2008 and joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 30 years' experience in telecommunications.

KWOK Wing Pong, Andrew

International Business Director

Kwok Wing Pong, Andrew, aged 52, has been the International Business Director since joining in June 2002. Mr Kwok is responsible for the international business segment and global development of fixed network business. He also represents the Group and holds chairmanship in regional telecommunications alliance board. Mr Kwok has more than 31 years' experience in telecommunications.

LEE Yat Lung, Andrew

Commercial Director, Wholesale and Business Market

Lee Yat Lung, Andrew, aged 43, has been the Commercial Director, Wholesale and Business Market since August 2005 and joined the Group in June 2002. Mr Lee is responsible for the wholesale, carrier and corporate segments of fixed network business. He holds a Master's degree in Business Administration and has more than 19 years' experience in telecommunications.

CHIANG Yung Hon, Byron

Technology and Operations Director, Fixed Network

Chiang Yung Hon, Byron, aged 46, has led the fixed network services and operations team since May 2009 and joined the Group in November 2003. Mr Chiang is responsible for network engineering, operations and product development aspects of fixed network business. He holds a Bachelor of Science degree in Electronic & Electrical Engineering and has more than 22 years' experience in telecommunications.

MA Yuen Wah, Winnie

General Counsel, Legal and Regulatory

Ma Yuen Wah, Winnie, aged 37, has led the legal and regulatory team since November 2010 and joined the HWL Group in March 2008. Ms Ma is responsible for legal and regulatory affairs. She holds a Postgraduate Certificate in Laws and a Bachelor of Laws degree and has more than 13 years' experience in legal affairs.

NG May Yuk, Frances

General Manager, Corporate Communications

Ng May Yuk, Frances, aged 51, has been the General Manager, Corporate Communications since re-joining in 2009. Ms Ng is responsible for all corporate communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She has more than 27 years' experience in public relations, 16 years of which were spent serving the Group.

WONG Chong Sang, Edward

HR & Organisational Development Director

Wong Chong Sang, Edward, aged 49, has been the 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 22 years' experience in human resources management.

Changes in Information of Directors

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the changes in information of Directors of the Company subsequent to the date of the 2011 Interim Report are set out below:

Name of Director	Details of Changes
Fok Kin Ning, Canning	Ceased to act as Chairman of the Remuneration Committee of the Company on 1 January 2012 and remains as a member of such Committee
Wong King Fai, Peter	Total emoluments increased by HK$1,675,383 to HK$13,341,189 compared to 2010
Chow Woo Mo Fong, Susan	Resigned as a non-executive director of TOM Group Limited* ("TOM Group") and appointed as an alternate director to Mr Frank John Sixt, non-executive chairman of TOM Group, on 5 March 2012
Lan Hong Tsung, David	Appointed as Chairman of the Remuneration Committee of the Company on 1 January 2012
Wong Yick Ming, Rosanna	Appointed as non-executive chairman of Advisory Committee of The Hongkong Bank Foundation on 1 February 2012

* *A company whose shares are listed on the Main Board of the Stock Exchange*

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 2011.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 122 to 123.

Group Profit

The consolidated income statement is set out on page 69 and shows the profit of the Group for the year ended 31 December 2011.

Dividends

An interim dividend of 5.16 HK cents per share was paid to shareholders on 6 September 2011.

The Directors recommend the declaration of a final dividend at the rate of 10.70 HK cents per share, or HK$516 million in total, payable on 6 June 2012 to those persons registered as shareholders on 28 May 2012, being the record date set for the entitlement 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 (2010: HK$0.3 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 2011 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 Lui Dennis Pok Man, Mrs Chow Woo Mo Fong, Susan and Mr Lan Hong Tsung, David 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 "Stock Exchange") (the "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 32 to 34.

Directors' Service Contracts

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

Interest in Contracts

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

Continuing Connected Transactions

During the year ended 31 December 2011, the Group undertook the following continuing connected transactions (the "Continuing Connected Transactions"):

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

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

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

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

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

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

(iii) Provision of dealership services by the HWL Group

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

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

(iv) Supply of promotional items by the HWL Group

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

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

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

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

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

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

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

(a) the HWL Group Supplies include 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; and collaboration on the development of video and radio programmes; and

(b) the Group Supplies include 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.

As announced by the Company on 30 December 2011, the Company and HIL agreed to terminate the HWL Master Agreement with effect from 31 December 2011 and entered into a new master agreement for a three-year term commencing from 1 January 2012 (the "2012 HWL Master Agreement") on substantially the same terms and conditions of the HWL Master Agreement with the following range of products and services of the HWL Group and the Group:

(a) the 2012 HWL group supplies (the "2012 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 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; and handset and other device supplies; and

(b) the 2012 group supplies (the "2012 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 (which include entities controlled, directly or indirectly, as to more than 50% by HIL and such other entities in which HIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of the voting power at general meetings in such entities) is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company. Accordingly, the transactions contemplated under the HWL Master Agreement constituted and those contemplated under the 2012 HWL Master Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

The annual caps of (a) the acquisition of the 2012 HWL Group Supplies by the Group for the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 amount to HK$308 million, HK$359 million and HK$424 million respectively; and (b) the provision of the 2012 Group Supplies for the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 amount to HK$250 million, HK$272 million and HK$293 million respectively.

The transactions between the Group and the HWL Group under items (i), (iii), (iv), (v) and (viii) in this section and the transactions between the Group and Hutchison Telecommunications International Limited ("HTIL") and its subsidiaries (collectively, the "HTIL Group") under item (vii) in this section are and will continue to be subject to the 2012 HWL Master Agreement.

(vii) Procurement of HTIL Group Supplies and Group Supplies between the Group and the HTIL Group

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

(a) the HTIL Group Supplies include leasing and licensing of offices, building spaces, car parks and warehouses; roaming services; and general treasury management services; 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 services (including local voice, 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, Internet and web-hosting services); mobile telecommunications products (including handsets hardware and other accessories) and the related support; and roaming services.

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

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

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

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

Grant of Waiver

On 17 April 2009, the Stock Exchange granted to the Company a conditional waiver from strict compliance with the announcement and/or independent shareholders' approval requirements as stipulated in Chapter 14A of the Listing Rules for the Continuing Connected Transactions (in this context except the 2012 HWL Master Agreement) based on the information provided in the submission of the Company dated 6 April 2009 (as updated by a subsequent submission dated 16 April 2009 by the Company) and the listing document dated 20 April 2009 issued by the Company (the "Listing Document").

Annual Review of Continuing Connected Transactions

The aggregate amounts attributable to the respective Continuing Connected Transactions for the year ended 31 December 2011 which are subject to the annual review requirements under the Listing Rules are as follows:

Continuing Connected Transactions		Aggregate amount for year ended 31 December 2011 (HK$ millions)
(i)	Provision of data centre services	15
(ii)	Roaming arrangements between the Group and the DoCoMo Group (a) expenses chargeable to the Group (b) revenue from the DoCoMo Group	 (a) Nil (b) 33
(iii)	Provision of dealership services by the HWL Group	5
(iv)	Supply of promotional items by the HWL Group	53
(v)	Provision of global procurement services by the HWL Group	12
(vi)	Procurement of products and services between the HWL Group and the Group under the HWL Master Agreement in the form of: (a) acquisition from the HWL Group (b) provision by the Group	 (a) 135 (b) 105
(vii)	Procurement of products and services between the HTIL Group and the Group under the HTIL Master Agreement in the form of: (a) acquisition from the HTIL Group (b) provision by the Group	 (a) Nil (b) 0.1
(viii)	Supply of handsets and other devices by H3G Procurement	2

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

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

A summary of the related party transactions entered into by the Group during the year ended 31 December 2011 is contained in Note 33 to the consolidated financial statements. Save and except for the transactions entered into with Cheung Kong (Holdings) Limited ("CKH") and its subsidiaries, the transactions summarised in paragraph (b) to such Note all fall under the definition of "continuing connected transactions" under the Listing Rules and none of the transactions summarised in paragraph (c) to such Note falls under the definition of either "connected transaction" or "continuing connected transaction" under the Listing Rules.

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange and disclosed above, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2011.

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

As at 31 December 2011, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules adopted by the Company (the "Model Code") were as follows:

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held in American Depositary Shares	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 *(Note 1)*	-	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	-	0.1889%
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 *(Note 2)*	0.0053%

Notes:

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

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

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

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

Mr Fok Kin Ning, Canning had, as at 31 December 2011, the following interests:

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

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

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

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

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

Mr Wong King Fai, Peter had, as at 31 December 2011, 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 2011, 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 2011, 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 2011, 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 2011, 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 2011, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2011, other than the interests and short positions of the Directors or Chief Executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

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

Long positions in the shares of the Company

Name		Capacity	Number of shares held	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	(i)	Beneficial owner	2,619,929,104 *(Note 1)*	
	(ii)	Interest of a controlled corporation	512,961,149 *(Note 1)*	65.02%
Hutchison Telecommunications Group Holdings Limited ("HTGHL")		Interest of controlled corporations	3,132,890,253 *(Note 1)*	65.02%
Ommaney Holdings Limited ("OHL")		Interest of controlled corporations	3,132,890,253 *(Note 1)*	65.02%
HIL		Interest of controlled corporations	3,132,890,253 *(Note 1)*	65.02%
HWL		Interest of controlled corporations	3,132,890,253 *(Note 1)*	65.02%
CKH		Interest of controlled corporations	3,184,982,840 *(Note 2)*	66.10%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")		Trustee	3,184,982,840 *(Note 3)*	66.10%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")		Trustee and beneficiary of a trust	3,184,982,840 *(Note 4)*	66.10%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")		Trustee and beneficiary of a trust	3,184,982,840 *(Note 4)*	66.10%
Li Ka-shing ("Mr Li")	(i)	Founder of discretionary trusts and interest of controlled corporations	3,185,136,120 *(Note 5)*	
	(ii)	Interest of controlled corporations	403,979,499 *(Note 6)*	74.49%
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:

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

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

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

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

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

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

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

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

Save as disclosed above and so far as is known to the Directors or Chief Executive of the Company, as at 31 December 2011, there was no other person (other than the Directors or Chief Executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

During the year ended 31 December 2011, 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 conducted during the same year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

(i) On 1 February 2011, Mr Wong King Fai, Peter, an Executive Director and Mrs Chow Woo Mo Fong, Susan, a Non-executive Director were appointed as directors of HGC GlobalCentre Limited ("HGCGC", a joint venture which indirectly owned as to 50% by the Company), which is engaged in data centre business. On 31 March 2011, Mr Ma Lai Chee, Gerald, Alternate Director to Mr Lai Kai Ming, Dominic, was appointed as a director of HGCGC.

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

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.

(ii) During the year, Mr Fok Kin Ning, Canning, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic, all being Non-executive Directors, were directors of HWL and certain of its subsidiaries which are engaged in telecommunications businesses. Mr Lui Dennis Pok Man, a Non-executive Director, was a 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 the HWL Group, the HTIL Group and the Group within their respective territories for the purpose of implementing the non-competition restrictions. The exclusive territory of the Group comprised Hong Kong and Macau. The exclusive territory of the HWL Group (which in substance including 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[(Note)]).

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.

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;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Share Option Scheme will remain in force for a period of 10 years commencing from 21 May 2009, being the date on which the Share Option Scheme becomes unconditional and has a remaining term of approximately seven 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 2011:

Category of participants	Date of grant of share options [1]	Number of share options held at 1 January 2011	Granted during 2011	Exercised during 2011	Lapsed/ cancelled during 2011	Number of share options held at 31 December 2011	Exercise period of share options	Exercise price of share options [2] HK$	Price of share of the Company at the grant date of share options [3] HK$	Price of share of the Company at the exercise date of share options [4] HK$
Employees in aggregate	1.6.2009	3,340,000	-	(2,250,000)	-	1,090,000	1.6.2009 to 31.5.2019 (both dates inclusive)	1.00	0.96	2.76
Total		3,340,000	-	(2,250,000)	-	1,090,000				

Notes:

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

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

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

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

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

No share option was granted under the Share Option Scheme during the year ended 31 December 2011.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2011 was the Company or any of its subsidiaries or its holding company or a subsidiary of the Company's holding company a party to any arrangements whose objects are to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

Pre-emptive Rights

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

Purchase, Sale or Redemption of Shares

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

Major Customers and Suppliers

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

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

	Percentage of total purchases of the Group
The largest supplier	48%
Five largest suppliers combined	61%

As at 31 December 2011:

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

(b) Mr Lan Hong Tsung, David, an Independent Non-executive Director of the Company, held 500,000 shares in PCCW Limited; and

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

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

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, approximately 25.06% of the issued share capital of the Company was held by the public.

Auditor

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

By Order of the Board

Edith SHIH
Company Secretary

Hong Kong, 20 March 2012

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

For the year ended 31 December 2011, the Company is fully compliant with all code provisions of the Code on Corporate Governance Practices (the "Existing Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has adopted a number of recommended best practices stated therein. The Stock Exchange of Hong Kong Limited published its consultation conclusions on the review of the Existing Code in October 2011 and renamed it the Corporate Governance Code (the "Revised Code"), setting out the amendments that are to be made in 2012. The Company confirmed that as at the date of this report, it is compliant with nearly all the code provisions of the Revised Code, ahead of the scheduled effective date. The key corporate governance principles and practices of the Company are as follows:

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 (the "Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

As at 31 December 2011, the Board comprised nine Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer, three Non-executive Directors and three Independent Non-executive Directors. The representation of Independent Non-executive Directors on the Board met the requirements of the Existing Code as well as the Revised Code throughout 2011. Biographical details of the Directors are set out in The Board and Senior Management Section on pages 32 to 34 and on the website of the Company (www.hthkh.com). In addition, a list containing the names of the Directors and their roles and functions is published on the websites of the Company and Hong Kong Exchanges and Clearing Limited (the "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 role of the Chairman and the Deputy Chairman are separate from that of the Chief Executive Officer. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, Mr Fok Kin Ning, Canning, assisted by the Deputy Chairman, Mr Lui Dennis Pok Man, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman 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, Mr Wong King Fai, Peter, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer attends to developing strategic operating plans that reflect the 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, Ms Tan Yuen Chun, Jennifer and the executive management team of each core business division, the Chief Executive Officer presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

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

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda together with supporting Board papers no less than three days prior to the meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Listing Rules and the Articles of Association of the Company (the "Articles"), 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 an annual general meeting in 2011 with 100% Director attendance.

	Name of Director	Meetings attended/ eligible to attend Board	2011 Annual General Meeting
Chairman and Non-executive Director	Fok Kin Ning, Canning	4/4	√
Deputy Chairman and Non-executive Director	Lui Dennis Pok Man	4/4	√
Executive Director	Wong King Fai, Peter *(Chief Executive Officer)*	4/4	√
Non-executive Directors	Chow Woo Mo Fong, Susan	4/4	√
	Frank John Sixt	4/4	√
	Lai Kai Ming, Dominic	4/4	√
Independent Non-executive Directors	Cheong Ying Chew, Henry	4/4	√
	Lan Hong Tsung, David	4/4	√
	Wong Yick Ming, Rosanna	4/4	√

In addition to regular Board meetings, the Chairman held two meetings with Non-executive Directors (including Independent Non-executive Directors) in 2011.

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. In addition, Non-executive Directors are appointed for an initial term ended 31 December 2010 and thereafter for automatic successive periods of 12 months, subject to possible re-election and renewal in accordance with the provisions of the Listing Rules and the Articles.

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

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 count toward CPD training. Besides providing sufficient time and attention to the affairs of the Group, Directors disclose to the Company their interests as director and other office in other public companies and organisation in a timely manner together with any subsequent changes thereto.

Securities Transactions

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

In response to specific enquiries made of them, all Directors confirmed that they have complied with the Model Code in their securities transactions throughout 2011.

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 Revised Code and adopted by the Board are published on the websites of the Company and the HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

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 minutes are sent to Directors 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 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 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. Whilst the Company Secretary reports to the Board through the Chairman and the Chief Executive Officer, 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 proposed 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 interim periods.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 67 and 68 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

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, 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, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

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

The Audit Committee held four meetings in 2011 with 100% attendance of its members.

Name of Member	Meetings attended/eligible to attend
Cheong Ying Chew, Henry *(Chairman)*	4/4
Lan Hong Tsung, David	4/4
Wong Yick Ming, Rosanna	4/4

During the year, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the Existing Code.

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, 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 their reports on the scope, strategy, progress and outcome of their independent review of the interim financial report and their annual audit of the consolidated financial statements. In addition, the Committee holds regular private meetings with 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, it reviews with the internal auditor the work plan for their audits together with their resource requirements and considers the internal audit reports to the Audit Committee on the effectiveness of internal controls in the business operations of the Group. Further, it also receives the report from the Company Secretary on the 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 their independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of external auditor.

The 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, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must, or is best placed, to undertake in its capacity as auditor.

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

- Other services – include, for example, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the internal auditor 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 2011, the fees to PwC, amounting to HK$13 million, were primarily for audit services. Non-audit services amounted to HK$1 million, or 8% 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 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, 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 2011 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.

Having regard to the recent changes and developments of the regulatory and legal requirements relevant to the Group, the Board had updated or established in 2011 various policies and procedures in areas including handling of confidential and price-sensitive information, securities dealing, prevention of bribery and corruption, shareholders' communication and reporting on possible improprieties with respect to financial reporting and internal control. The Audit Committee has reviewed the compliance status of the Existing Code and the Revised Code, and is satisfied that all code provisions of the Existing Code are complied with, and nearly all code provisions of the Revised Code are complied with ahead of the schedule.

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 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 the 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 2011 with 100% attendance of its members to review background information on market data (including economic indicators and statistics and the Remuneration Bulletin) and 2012 Remuneration Review Guidelines of the Group, the business activities and human resources issues, and headcount and staff costs of the Group. They reviewed and approved the proposed 2012 directors' fees and the revised Terms of Reference of the Remuneration Committee and made recommendation to the Board on the directors' fees for Non-executive Directors and the revised Terms of Reference. Prior to the end of the year, the Committee also reviewed and approved the year end bonus and 2012 remuneration package of the Executive Director and senior management 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 to be determined in accordance with the performance of the Group and the individual's performance.

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The 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 2011 are as follows:

Name of Director	Director's Fees HK$ millions	Basic Salaries, Allowances and Benefits-in-Kind HK$ millions	Bonuses HK$ millions	Provident Fund Contributions HK$ millions	Inducement or Compensation Fees HK$ millions	Total Emoluments HK$ millions
Fok Kin Ning, Canning[(1)(4)(5)]	0.09	-	-	-	-	0.09
Lui Dennis Pok Man[(1)]	0.07	-	-	-	-	0.07
Wong King Fai, Peter[(5)]	0.07	3.52	9.50	0.25	-	13.34
Chow Woo Mo Fong, Susan[(1)(5)]	0.07	-	-	-	-	0.07
Frank John Sixt[(1)(5)]	0.07	-	-	-	-	0.07
Lai Kai Ming, Dominic[(1)]	0.07	-	-	-	-	0.07
Cheong Ying Chew, Henry[(2)(3)(4)]	0.16	-	-	-	-	0.16
Lan Hong Tsung, David[(2)(3)(4)]	0.16	-	-	-	-	0.16
Wong Yick Ming, Rosanna[(2)(3)]	0.14	-	-	-	-	0.14
Total:	0.90	3.52	9.50	0.25	-	14.17

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

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 its Chief Executive Officer and Chief Financial Officer, and the Investor Relations Department, the Group responds to requests for information and queries from the investment community including institutional shareholders, analysts and the media through regular briefing meetings, conference calls and presentations.

The Board is committed to providing clear and full information of the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. 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 the 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, 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 the 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 2011 Annual General Meeting (the "AGM"), which was held on 19 May 2011 at Harbour Grand Kowloon, Hung Hom, Kowloon, Hong Kong, and attended by representatives of PwC and all Directors including the Chairman of each of the Board and the Audit Committee, and the then Chairman of 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 19 May 2011 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 2010	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr Fok Kin Ning, Canning as a Director	99.27%
3(b)	Re-election of Mr Lai Kai Ming, Dominic as a Director	99.76%
3(c)	Re-election of Mr Cheong Ying Chew, Henry as a Director	99.24%
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	87.50%
5(2)	Granting of a general mandate to Directors to repurchase the shares of the Company	99.75%
5(3)	Extension of the general mandate to Directors to issue additional shares of the Company	88.28%

All resolutions put to shareholders at the meeting were passed. The results of the voting by poll were published on the websites of the Company and the 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 2012 and public float capitalisation as at 31 December 2011.

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.

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 28 to 31.

By Order of the Board

Edith SHIH
Company Secretary

Hong Kong, 20 March 2012

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 69 to 123, which comprise the consolidated and the Company's statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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, 20 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Note	2011 HK$ millions	2010 HK$ millions
Turnover	5	13,407	9,880
Cost of inventories sold		(4,663)	(1,776)
Staff costs	7	(646)	(646)
Depreciation and amortisation		(1,179)	(1,087)
Other operating expenses	8	(5,487)	(5,264)
Operating profit		1,432	1,107
Interest income	9	6	5
Interest and other finance costs	9	(124)	(128)
Share of results of jointly controlled entities	18	(4)	(21)
Profit before taxation		1,310	963
Taxation	10	(49)	(63)
Profit for the year		1,261	900
Attributable to:			
Shareholders of the Company		1,020	755
Non-controlling interests		241	145
		1,261	900
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
– basic	11	21.17	15.68
– diluted	11	21.17	15.67

Details of interim dividend paid and 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 2011

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

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

Consolidated Statement of Financial Position

as at 31 December 2011

	Note	2011 HK$ millions	2010 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	13	9,690	9,610
Goodwill	14	4,503	4,503
Other intangible assets	15	1,718	280
Other non-current assets	16	1,207	1,227
Deferred tax assets	17	368	368
Investments in jointly controlled entities	18	332	272
Total non-current assets		17,818	16,260
Current assets			
Cash and cash equivalents	19	182	180
Trade receivables and other current assets	20	1,787	1,497
Inventories	21	299	239
Total current assets		2,268	1,916
Current liabilities			
Trade and other payables	26	4,615	4,064
Borrowings	24	3,853	-
Current income tax liabilities		10	8
Total current liabilities		8,478	4,072
Net current liabilities		(6,210)	(2,156)
Total assets less current liabilities		11,608	14,104
Non-current liabilities			
Deferred tax liabilities	17	231	190
Borrowings	24	-	3,566
Other non-current liabilities	25	964	546
Total non-current liabilities		1,195	4,302
Net assets		10,413	9,802

	Note	2011 HK$ millions	2010 HK$ millions
CAPITAL AND RESERVES			
Share capital	22	**1,205**	1,204
Reserves	23	**9,379**	9,002
Total shareholders' funds		**10,584**	10,206
Non-controlling interests		**(171)**	(404)
Total equity		**10,413**	9,802

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 2011

	Note	2011 HK$ millions	2010 HK$ millions
ASSETS			
Non-current assets			
Investments in subsidiaries, at costs	31	3,871	3,871
Total non-current assets		3,871	3,871
Current assets			
Receivables from subsidiaries	33(c)	9,222	9,097
Other current assets		1	1
Cash and cash equivalents		2	1
Total current assets		9,225	9,099
Current liabilities			
Other payables		3	3
Payables to subsidiaries	33(c)	154	157
Total current liabilities		157	160
Net current assets		9,068	8,939
Total assets less current liabilities		12,939	12,810
Net assets		12,939	12,810
CAPITAL AND RESERVES			
Share capital	22	1,205	1,204
Reserves	23	11,734	11,606
Total equity		12,939	12,810

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 2011

	Attributable to shareholders of the Company									
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
As at 1 January 2011	1,204	11,182	(2,172)	1	(27)	1	17	10,206	(404)	9,802
Profit for the year	-	-	1,020	-	-	-	-	1,020	241	1,261
Other comprehensive income										
Actuarial losses of defined benefit plans	-	-	-	-	(65)	-	-	(65)	-	(65)
Currency translation differences	-	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive income	-	-	1,020	(1)	(65)	-	-	954	241	1,195
Dividend paid (Note 12)	-	-	(578)	-	-	-	-	(578)	-	(578)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(8)	(8)
Employee share option scheme - proceeds from shares issued	1	2	-	-	-	(1)	-	2	-	2
As at 31 December 2011	1,205	11,184	(1,730)	-	(92)	-	17	10,584	(171)	10,413
As at 1 January 2010	1,204	11,181	(2,470)	1	(41)	1	17	9,893	(549)	9,344
Profit for the year	-	-	755	-	-	-	-	755	145	900
Other comprehensive income										
Actuarial gains of defined benefit plans	-	-	-	-	14	-	-	14	-	14
Total comprehensive income	-	-	755	-	14	-	-	769	145	914
Dividend paid (Note 12)	-	-	(457)	-	-	-	-	(457)	-	(457)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	-	1	-	1
As at 31 December 2010	1,204	11,182	(2,172)	1	(27)	1	17	10,206	(404)	9,802

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 HK$ millions	2010 HK$ millions
Cash flows from operating activities			
Cash generated from operations	27	2,652	2,356
Interest and other finance costs paid		(56)	(55)
Tax paid		(6)	(5)
Net cash generated from operating activities		2,590	2,296
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,141)	(1,117)
Additions to other non-current assets		(61)	(6)
Additions to other intangible assets		(1,077)	–
Proceeds from disposals of property, plant and equipment		53	5
Payment relating to investments in jointly controlled entities		(66)	(10)
Net cash used in investing activities		(2,292)	(1,128)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options	22	2	1
Proceeds from borrowings		2,170	770
Repayment of loans		(1,890)	(1,570)
Dividend paid to the Company's shareholders	12	(578)	(457)
Net cash used in financing activities		(296)	(1,256)
Increase/(decrease) in cash and cash equivalents		2	(88)
Cash and cash equivalents at beginning of year		180	268
Cash and cash equivalents at end of year	19	182	180

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

Notes to the Consolidated Financial Statements

1 General Information

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

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

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

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issuance by the Board of Directors on 20 March 2012.

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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 2011, the current liabilities of the Group exceeded its current assets by approximately HK$6,210 million. Included in the current liabilities were non-refundable customer prepayments of HK$969 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services, and a revolving and term loan of HK$3,853 million, which will expire on 3 December 2012. The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the refinancing of the revolving and term credit facility. Subsequent to year end, the Group has obtained a short-term bridge loan facility of HK$500 million and has received various refinancing offers from a number of financial institutions and is in the process of considering and evaluating these offers in the best interests of its shareholders. Management expects to complete the refinancing arrangement before the expiry of the existing revolving and term loan facility. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of Significant Accounting Policies (Continued)

(b) Revised standards, amendments and interpretations adopted by the Group

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

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

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

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

At the date of approval of these financial statements, the following new/revised standards and amendments to existing standards have been issued but are not effective for the year ended 31 December 2011:

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

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

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

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 equity.

(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

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

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

(ii) Patent

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

(l) Impairment of non-financial assets

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

2 Summary of Significant Accounting Policies (Continued)

(m) Financial assets

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for 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 liability.

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

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

(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 of 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$.

	2011 HK$ millions	2010 HK$ millions
US$	**298**	398
EURO	**37**	39
Total net exposure: net assets	**335**	437

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.

	2011 HK$ millions	2010 HK$ millions
US$	**25**	33
EURO	**3**	3
	28	36

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:

	2011 HK$ millions	2010 HK$ millions
Borrowings at floating rates (Note 24)	**(3,853)**	(3,566)
Cash at banks and short-term bank deposits	**96**	133
Loan to jointly controlled entities (Note 18)	**341**	270
Amount due from a jointly controlled entity	**7**	–
	(3,409)	(3,163)

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 2011 and 2010 would have decreased by approximately HK$28 million and HK$26 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 counter party 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 counter party and investment risks in respect of the surplus fund, the Group manages these risks by placing deposits with credit worthy financial institutions attaining a minimum credit rating of AA-/Aa3 as rated by Standard & Poor's or Moody's. Any deviation from this policy is to be approved by senior management.

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The utilisation of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. 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:

	2011 HK$ millions	2010 HK$ millions
Cash at banks and short-term bank deposits (Note 19)	**182**	180
Trade and other receivables (Note 20)	**1,567**	1,308
	1,749	1,488

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

	Carrying amount HK$ millions	Contractual liabilities HK$ millions	Non-contractual liabilities HK$ millions	Contractual undiscounted cash flow HK$ millions	Within 1 year HK$ millions	After 1 year but within 2 years HK$ millions	After 2 years but within 5 years HK$ millions	After 5 years HK$ millions
As at 31 December 2011								
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
	9,229	6,056	3,173	6,352	5,313	179	596	264

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

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 2011, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$8,737 million (2010: HK$8,580 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

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 audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment to the operation of the Group. The results of the impairment test undertaken as at 31 December 2011 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions with customers

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

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 2011, the Group has recognised deferred tax assets of approximately HK$368 million (2010: 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:

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

6 Segment Information

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

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

6 Segment Information (Continued)

	As at and for the year ended 31 December 2010				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	6,950	3,286	–	(356)	9,880
Operating costs	(5,712)	(2,222)	(107)	355	(7,686)
Depreciation and amortisation	(446)	(642)	–	1	(1,087)
Operating profit/(loss)	792	422	(107)	–	1,107
Total assets before investments in jointly controlled entities	7,134	11,130	12,970	(13,330)	17,904
Investments in jointly controlled entities	269	3	–	–	272
Total assets	7,403	11,133	12,970	(13,330)	18,176
Total liabilities	(11,945)	(5,728)	(160)	9,459	(8,374)
Other information:					
Additions to property, plant and equipment	507	613	–	(1)	1,119

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

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

7 Staff Costs

	2011 HK$ millions	2010 HK$ millions
Wages and salaries	**664**	642
Termination benefits	**2**	1
Pension costs		
– defined benefit plans (Note 30(a))	**16**	16
– defined contribution plans	**9**	9
Less: Amounts capitalised as non-current assets	**(45)**	(22)
	646	646

7 Staff Costs (Continued)

(a) Directors' 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 for both 2011 and 2010 are as follows:

Name of directors	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Total HK$ millions
	2011				
Fok Kin Ning, Canning (Note)	0.09	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	0.07
Wong King Fai, Peter (Note)	0.07	3.52	9.50	0.25	13.34
Chow Woo Mo Fong, Susan (Note)	0.07	-	-	-	0.07
Frank John Sixt (Note)	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

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

Note: 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.

7 Staff Costs (Continued)

(a) Directors' emoluments (Continued)

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 2011 (2010: Nil).

(b) Five highest paid individuals

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

	2011 Number of individual	2010 Number of individual
Director of the Company	**1**	1
Senior management	**4**	4

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

	2011 HK$ millions	2010 HK$ millions
Basic salaries, allowances and benefits-in-kind	**11**	11
Bonuses	**16**	14
Provident fund contributions	**1**	1
	28	26

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

	2011 Number of individual	2010 Number of Individual
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**-**	1
HK$3,500,001 – HK$4,000,000	**2**	2
HK$4,000,001 – HK$4,500,000	**1**	–
HK$11,500,001 – HK$12,000,000	**-**	1
HK$13,000,001 – HK$13,500,000	**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 2011 (2010: Nil).

8 Other Operating Expenses

	2011 HK$ millions	2010 HK$ millions
Cost of services provided	**3,535**	3,190
General administrative and distribution costs	**856**	969
Operating leases in respect of		
– buildings	**431**	418
– hire of plant and machinery	**562**	596
Loss on disposals of property, plant and equipment *(Note)*	**43**	9
Auditor's remuneration	**12**	11
Provision for doubtful debts	**48**	71
Total	**5,487**	5,264

Note: Amount included a loss of HK$44 million from write-off of submarine cables located at the HK-Zhuhai-Macau Bridge construction site.

9 Interest and Other Finance Costs, Net

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

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

10 Taxation

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

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided 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:

	2011 HK$ millions	2010 HK$ millions
Profit before taxation	1,310	963
Tax calculated at domestic rates	209	145
Income not subject to taxation	(1)	-
Expenses not deductible for taxation purposes	3	2
Temporary differences not recognised	2	1
Utilisation of previously unrecognised tax losses	(166)	(86)
Utilisation of previously unrecognised temporary differences	(1)	-
Tax losses not recognised	3	1
Total taxation charge	49	63

11 Earnings Per Share

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

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

12 Dividends

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

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2011 and 2010 are as follows:

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
As at 1 January 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
Accumulated depreciation and impairment losses					
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
Net book value					
As at 31 December 2011	128	8,737	313	512	9,690

13 Property, Plant and Equipment (Continued)

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

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

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

Additions of telecommunications infrastructure and network equipment included interest of HK$3 million (2010: HK$1 million) capitalised at a rate of 1.4% per annum (2010: Same).

14 Goodwill

	2011 HK$ millions	2010 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:

	2011 HK$ millions	2010 HK$ millions
Mobile business	2,155	2,155
Fixed-line business	2,348	2,348
	4,503	4,503

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budget and forecasts approved by management covering a five-year period to 2016.

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

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

(ii) A long-term growth rate into perpetuity is not used to extrapolate cash flows beyond the 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:

	2011	2010
Mobile business	4.1%	4.0%
Fixed-line business	6.1%	6.6%

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 2011 indicated no impairment charge was necessary (2010: Same).

15 Other Intangible Assets

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

As a result of the acquisition of new radio spectrum and a change in estimate resulting from an extended usage of radio spectrum, the intangible assets of telecommunications licences increased by HK$1,080 million and HK$452 million respectively 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$3 million (2010: Nil) capitalised at a rate of 1.4% per annum (2010: Nil).

16 Other Non-current Assets

	Note	2011 HK$ millions	2010 HK$ millions
Prepayments		1,136	1,185
Non-current deposits	(a)	71	42
		1,207	1,227

(a) 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:

	2011 HK$ millions	2010 HK$ millions
Deferred tax assets	368	368
Deferred tax liabilities	(231)	(190)
Net deferred tax assets	137	178

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 2010	(956)	1,190	234
Net charge for the year (Note 10)	(11)	(45)	(56)
As at 31 December 2010	(967)	1,145	178
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

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:

	2011 HK$ millions	2010 HK$ millions
Arising from unused tax losses	406	569
Arising from depreciation allowances	4	3
	410	572

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 2011, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$2,460 million can be carried forward indefinitely (2010: HK$3,444 million and HK$1 million can be carried forward indefinitely and within six years, respectively).

18 Investments in Jointly Controlled Entities

	2011 HK$ millions	2010 HK$ millions
Loans to jointly controlled entities	380	309
Share of undistributed post acquisition reserves	(48)	(37)
	332	272

The loans to jointly controlled entities are unsecured, have no fixed terms of repayment and non-interest bearing except for loans of HK$341 million (2010: HK$270 million) which bear interest at HIBOR plus 3% per annum (2010: 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:

	2011 HK$ millions	2010 HK$ millions
Assets		
Non-current assets	**337**	283
Current assets	**31**	2
	368	285
Liabilities		
Non-current liabilities	**(328)**	(278)
Current liabilities	**(45)**	(8)
	(373)	(286)
Net liabilities	**(5)**	(1)
Income	**32**	7
Expenses	**(36)**	(28)
Net loss	**(4)**	(21)
Proportionate interests in jointly controlled entities' capital commitments		
Contracted but not provided for	**81**	–

As at 31 December 2011, 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 (2010: Nil).

As at 31 December 2011, certain shares of a jointly controlled entity were pledged as security in favour of another partner of the jointly controlled entity under a cross share pledge arrangement.

19 Cash and Cash Equivalents

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

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

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

20 Trade Receivables and Other Current Assets

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

(a) Trade receivables, net of provision

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

The 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 2011, trade receivables of approximately HK$760 million (2010: HK$658 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:

	2011 HK$ millions	2010 HK$ millions
The ageing analysis of trade receivables which were past due but not provided for is as follows:		
Past due 1 – 30 days	**422**	379
Past due 31 – 60 days	**129**	105
Past due 61 – 90 days	**72**	63
Past due over 90 days	**137**	111
	760	658

20 Trade Receivables and Other Current Assets (Continued)

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

As at 31 December 2011, provision for doubtful debts of approximately HK$189 million (2010: HK$197 million) was recognised for trade receivables of approximately HK$706 million (2010: HK$662 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:

	2011 HK$ millions	2010 HK$ millions
Beginning of year	197	185
Increase in provision recognised in the consolidated income statement	191	195
Amounts recovered in respect of brought forward balance	(143)	(124)
Write-off during the year	(56)	(59)
End of year	189	197

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.

Other receivables included an amount of HK$7 million (2010: Nil) 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 2011, the amount of inventories carried at net realisable value was approximately HK$4 million (2010: HK$2 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 (2010: 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 2010	4,814,346,208	1,204
Issuance of shares arising from exercise of employee share options (Note 22(c))	1,410,000	–
As at 31 December 2010	4,815,756,208	1,204
As at 1 January 2011	**4,815,756,208**	**1,204**
Issuance of shares arising from exercise of employee share options (Note 22(c))	**2,250,000**	**1**
As at 31 December 2011	**4,818,006,208**	**1,205**

(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 2010	1	4,750,000
Exercised	1	(1,410,000)
As at 31 December 2010	1	3,340,000
As at 1 January 2011	**1**	**3,340,000**
Exercised	**1**	**(2,250,000)**
As at 31 December 2011	**1**	**1,090,000**

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 2011 resulted in 2,250,000 (2010: 1,410,000) ordinary shares of HK$0.25 each being issued at a weighted average exercise price of HK$1 each. The related weighted average share price at the date of exercise was HK$2.68 (2010: HK$2.13) per share.

As at 31 December 2011, 1,090,000 (2010: 3,340,000) 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
As at 1 January 2010	11,181	(2,470)	1	(41)	1	17	8,689
Profit for the year	-	755	-	-	-	-	755
Actuarial gains of defined benefit plans	-	-	-	14	-	-	14
Dividend paid (Note 12)	-	(457)	-	-	-	-	(457)
Employee share option scheme							
- proceeds from shares issued	1	-	-	-	-	-	1
As at 31 December 2010	11,182	(2,172)	1	(27)	1	17	9,002
As at 1 January 2011	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 (Note 12)	-	(578)	-	-	-	-	(578)
Employee share option scheme							
- proceeds from shares issued	2	-	-	-	(1)	-	1
As at 31 December 2011	11,184	(1,730)	-	(92)	-	17	9,379

23 Reserves (Continued)

Company

	Share premium HK$ millions	Retained earnings HK$ millions	Employee share-based compensation reserve HK$ millions	Total HK$ millions
As at 1 January 2010	11,181	305	1	11,487
Profit for the year	-	575	-	575
Dividend paid (Note 12)	-	(457)	-	(457)
Employee share option scheme				
- proceeds from shares issued	1	-	-	1
As at 31 December 2010	11,182	423	1	11,606
As at 1 January 2011	**11,182**	**423**	**1**	**11,606**
Profit for the year	**-**	**705**	**-**	**705**
Dividend paid (Note 12)	**-**	**(578)**	**-**	**(578)**
Employee share option scheme				
- proceeds from shares issued	**2**	**-**	**(1)**	**1**
As at 31 December 2011	**11,184**	**550**	**-**	**11,734**

As at 31 December 2011, the aggregate amount of reserves available for distribution to shareholders of the Company was HK$11,734 million (2010: HK$11,606 million).

24 Borrowings

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

	Maturity date	**2011 HK$ millions**	2010 HK$ millions
Unsecured bank loans			
Repayable within 1 year	2012	**3,853**	-
Repayable after 1 year, but within 2 years	2012	**-**	3,566
		3,853	3,566

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2011 and 2010 approximate to their fair values. The fair values of the Group's total borrowings as at 31 December 2011 are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 1.4% per annum (2010: Same).

25 Other Non-current Liabilities

	Note	2011 HK$ millions	2010 HK$ millions
Non-current licence fees liabilities	(a)	**761**	414
Pension obligations (Note 30(a))		**91**	27
Accrued expenses		**112**	105
		964	546

(a) Licence fees liabilities

	2011 HK$ millions	2010 HK$ millions
Licence fees liabilities – minimum annual fees payments:		
Not later than 1 year	**169**	101
After 1 year, but within 5 years	**775**	503
After 5 years	**264**	151
	1,208	755
Future finance charges on licence fees liabilities	**(289)**	(251)
Present value of licence fees liabilities	**919**	504
The present value of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 26)	**158**	90
Non-current licence fees liabilities:		
After 1 year, but within 5 years	**566**	337
After 5 years	**195**	77
	761	414
Total licence fees liabilities	**919**	504

26 Trade and Other Payables

	Note	2011 HK$ millions	2010 HK$ millions
Trade payables	(a)	**462**	383
Other payables and accruals		**3,026**	2,490
Deferred revenue		**969**	1,101
Current portion of licence fees liabilities (Note 25)		**158**	90
		4,615	4,064

26 Trade and Other Payables (Continued)

(a) Trade payables

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

27 Cash Generated from Operations

	2011 HK$ millions	2010 HK$ millions
Cash flows from operating activities		
Profit before taxation	1,310	963
Adjustments for:		
- Interest income (Note 9)	(6)	(5)
- Interest and other finance costs (Note 9)	124	128
- Depreciation and amortisation	1,179	1,087
- Loss on disposals of property, plant and equipment (Note 8)	43	9
- Share of results of jointly controlled entities	4	21
Changes in working capital		
- Increase in trade receivables and other assets	(319)	(403)
- Increase in inventories	(60)	(79)
- Increase in trade and other payables	378	637
- Retirement benefits obligations	(1)	(2)
Cash generated from operations	2,652	2,356

28 Contingent Liabilities

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

	2011 HK$ millions	2010 HK$ millions
Performance guarantees	792	692
Financial guarantees	18	12
	810	704

29 Commitments

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

(a) Capital commitments

	2011 HK$ millions	2010 HK$ millions
Property, plant and equipment and other intangible assets		
Contracted but not provided for	**914**	647
Authorised but not contracted for	**1,008**	741
	1,922	1,388
Investments in jointly controlled entities		
Authorised but not contracted for	**282**	–

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

	2011 HK$ millions	2010 HK$ millions
Property, plant and equipment		
Contracted but not provided for	**17**	5

(b) Operating lease commitments

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

	Buildings		Other assets	
	2011 HK$ millions	2010 HK$ millions	2011 HK$ millions	2010 HK$ millions
Not later than one year	**310**	279	**113**	139
Later than one year but not later than five years	**201**	140	**35**	54
Later than five years	**-**	–	**10**	–
	511	419	**158**	193

29 Commitments (Continued)

(b) Operating lease commitments (Continued)

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

	Buildings	
	2011 HK$ millions	2010 HK$ millions
Not later than one year	**63**	30
Later than one year but not later than five years	**73**	3
	136	33

(c) Telecommunications licence fees

A subsidiary of the Company has a unified carrier licence for 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 2011, 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 (2010: Same).

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

	2011 HK$ millions	2010 HK$ millions
Pension obligations (Note 25)	**91**	27

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

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

	2011	2010
Discount rate applied to defined benefit plan obligations	1.20% - 1.50%	2.20% - 2.80%
Expected return on plan assets	7.00%	7.00%
Future salary increases	4.00%	3.00%
Interest credited on plan accounts	5.00% - 6.00%	5.00% - 6.00%

	2011 HK$ millions	2010 HK$ millions
The amount recognised in the consolidated income statement:		
Current service cost	25	24
Interest cost	6	5
Expected return on plan assets	(15)	(13)
Total, included in staff costs (Note 7)	16	16
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	(299)	(232)
Less: Fair value of plan assets	208	205
Liability recognised in the consolidated statement of financial position	(91)	(27)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2011 HK$ millions	2010 HK$ millions
Changes in present value of the defined benefit obligations		
Beginning of year	232	221
Current service cost net of employee contributions	25	24
Actual employee contributions	1	1
Interest cost	6	5
Actuarial losses/(gains) on obligations	47	(10)
Actual benefits paid	(11)	(10)
Net transfer (out)/in liabilities	(1)	1
End of year	299	232
Changes in the fair value of the plan assets		
Beginning of year	205	178
Expected return on plan assets	15	13
Actuarial (losses)/gains on plan assets	(18)	4
Contribution by employer	17	18
Contribution by employees	1	1
Actual benefits paid	(11)	(10)
Net transfer (out)/in assets	(1)	1
End of year	208	205
The analysis of the fair value of plan assets at end of year is as follows:		
Equity instruments	60%	63%
Debt instruments	20%	21%
Other assets	20%	16%
	100%	100%

Expected contributions to defined benefit plans for the year ending 31 December 2012 are approximately HK$22 million.

Forfeited contributions totalling HK$3 million (2010: HK$2 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 2011 (2010: HK$0.1 million) to reduce future years' contributions.

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

	2011 HK$ millions	2010 HK$ millions	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
The experience adjustments are as follows:					
Fair value of plan assets	**208**	205	178	137	203
Present value of defined benefit obligations	**(299)**	(232)	(221)	(218)	(188)
(Deficit)/surplus	**(91)**	(27)	(43)	(81)	15
Experience adjustments on plan assets	**(18)**	4	22	(77)	37
Percentage of plan assets (%)	**(9)**	2	12	(56)	18
Experience adjustments on plan obligations	**(1)**	-	1	7	8
Percentage of plan obligations (%)	**-**	-	-	3	4

The actual return on plan assets during the year ended 31 December 2011 was a loss of HK$3 million (2010: gain of HK$17 million).

The accumulated actuarial losses recognised in the consolidated statement of comprehensive income as at 31 December 2011 was approximately HK$97 million (2010: losses of HK$32 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 2011 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 2011, 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$0.3 million (2010: HK$0.2 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 2011 (2010: Nil) 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 122 to 123.

32 Ultimate Holding Company

As at 31 December 2011, the Company was owned as to approximately 65% by Hutchison Whampoa Limited ("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 group companies, excluding Hutchison Telecommunications International Limited ("HTIL") Group

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

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

  (a) CKH Group – Cheung Kong (Holdings) Limited together with its direct and indirect subsidiaries

  (b) DoCoMo Group – NTT DoCoMo, Inc. together with its direct and indirect subsidiaries

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

33 Related Party Transactions (Continued)

(a) Key management personnel remuneration

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

(b) Transactions with related parties

	2011 HK$ millions	2010 HK$ millions
HWL Group		
Provision of mobile telecommunications services	18	23
Provision of fixed-line telecommunications services	105	93
Purchase of telecommunications products	(7)	-
Purchase of telecommunications services	(23)	(7)
Rental expenses on lease arrangements	(70)	(68)
Dealership service expenses	(5)	(12)
Billing collection service expenses	(13)	(14)
Purchase of office supplies	(9)	(9)
Purchase of air tickets and hotel accommodation	(4)	(4)
Advertising and promotion expenses	(63)	(28)
Global procurement service arrangement expenses	(12)	(8)
Purchase of property, plant and equipment	(2)	(1)
Sharing of services arrangement	(35)	(35)
HTIL Group		
Provision of fixed-line telecommunications services	-	2
Purchase of telecommunications services	-	(1)
CKH Group		
Provision of mobile telecommunications services	2	1
Provision of fixed-line telecommunications services	47	53
Provision of marketing services	2	2
Rental expenses on lease arrangements	(6)	(5)
Purchase of telecommunications services	(2)	(2)
Business risks management services	(5)	(6)
Purchase of office supplies	(1)	-
Purchase of property, plant and equipment	(13)	(1)
Sharing of services arrangement	(10)	(4)
Advertising and promotion expenses	(1)	-
DoCoMo Group		
Provision of mobile telecommunications services	33	21

33 Related Party Transactions (Continued)

(b) Transactions with related parties (Continued)

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

(c) Balances with subsidiaries

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

34 Subsequent Event

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

List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2011 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 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 SG$1 each	-	100%
Hutchison Global Communications (Taiwan) Limited	Taiwan, limited liability company	Telecommunications business and support services in Taiwan	100,000 ordinary shares of NTD10 each	-	100%
Hutchison Global Communications (UK) Limited	The United Kingdom, limited liability company	Telecommunications business and support services in the United Kingdom	2 ordinary shares of GBP1 each	-	100%

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 (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%
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%

Financial Summary

	2011 HK$ millions	2010 HK$ millions	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
RESULTS					
Turnover	**13,407**	9,880	8,449	8,124	7,249
Profit for the year	**1,261**	900	530	218	164
Non-controlling interests	**(241)**	(145)	(62)	12	16
Net profit attributable to shareholders of the Company	**1,020**	755	468	230	180
ASSETS					
Total non-current assets	**17,818**	16,260	16,241	16,278	16,187
Cash and cash equivalents	**182**	180	268	272	275
Other current assets	**2,086**	1,736	1,245	1,318	1,657
Total assets	**20,086**	18,176	17,754	17,868	18,119
LIABILITIES					
Short-term borrowings	**3,853**	-	-	-	-
Other current liabilities	**4,625**	4,072	3,323	8,290	7,601
Payables to related companies	**-**	-	-	12,418	13,743
Long-term borrowings	**-**	3,566	4,358	-	-
Other non-current liabilities	**1,195**	736	729	721	577
Total liabilities	**9,673**	8,374	8,410	21,429	21,921
Net assets/(liabilities)	**10,413**	9,802	9,344	(3,561)	(3,802)
CAPITAL AND RESERVES					
Share capital	**1,205**	1,204	1,204	-	-
Reserves	**9,379**	9,002	8,689	(2,949)	(3,083)
Total shareholders' fund	**10,584**	10,206	9,893	(2,949)	(3,083)
Non-controlling interests	**(171)**	(404)	(549)	(612)	(719)
Total equity	**10,413**	9,802	9,344	(3,561)	(3,802)

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

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Public Float Capitalisation

As at 31 December 2011:
Approximately HK$3,610 million (representing approximately 25.06% of the issued share capital of the Company)

Financial Calendar

Payment of 2011 Interim Dividend:	6 September 2011
2011 Final Results Announcement:	20 March 2012
Closure of Register of Members:	17 May 2012 to 22 May 2012
Annual General Meeting:	22 May 2012
Record Date for 2011 Final Dividend:	28 May 2012
Payment of 2011 Final Dividend:	6 June 2012
2012 Interim Results Announcement:	July 2012

Registered Office

Scotia Centre, 4th Floor, P.O. Box 2804, George Town,
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Principal Place of Business

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Telephone: +852 2128 1188
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Principal Executive Office

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Telephone: +852 2128 2828
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Cayman Islands Share Registrar and Transfer Office

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

Hong Kong Share Registrar and Transfer Office

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

ADS Depositary

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P.O. Box 43077, Providence, Rhode Island 02940-3077,
the United States of America
Toll free for US only: 1 877 248 4237
From outside US: +1 781 575 4555
Facsimile: +1 201 324 3284
Email: citibank@shareholders-online.com

Investor Information

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

Investor Relations Contact

Please direct enquiries to:
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Cautionary Statements

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

Hutchison Telecom
Hong Kong Holdings

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