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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 May 2009 and whose American depositary shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements have been approved for issue by the Board of Directors on 8 March 2010.

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 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 2009, the Group's current liabilities exceeded its current assets by approximately HK$1,810 million. The Group's future funding requirements can be met through a revolving and term credit facility of HK$5,000 million from a group of international commercial banks. The facility is available up to 2 December 2012. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, 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) Changes in accounting policies

New and amended standards adopted by the Group

During the year, the Group has adopted the following new or revised IFRS which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2009:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Financial Instruments: Disclosures
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate

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

Change in accounting policy for the customer acquisition and retention costs

Telecommunications customer acquisition and retention costs comprise the net costs to acquire and retain telecommunications customers.

In prior years, these costs to acquire and retain customers on contracts with early termination penalty clauses were capitalised and amortised on a straight-line basis through amortisation expense in the income statement over the minimum enforceable contractual period. Having undertaken a comprehensive review of the policies of other businesses operating in the telecommunications sector particularly those operating in Europe, with effect from 1 January 2009, the Group has changed its policy to expense these costs in operating expenses as the costs are incurred. The Group believes that this change will bring our policy in line with other major telecommunications companies, provide greater comparability with such businesses and align more closely our profit and loss performance with our cash flow, and will therefore provide reliable and more relevant information to shareholders and other users of the financial statements. Comparative information has been restated to reflect this change in policy.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(i) Effect on the consolidated statement of financial position as at 31 December 2007

	Before change in accounting policy HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	9,695	–	9,695
Goodwill	3,813	–	3,813
Other intangible assets	935	(500)	435
Other non-current assets	1,876	–	1,876
Deferred tax assets	368	–	368
Total non-current assets	16,687	(500)	16,187
Current assets			
Cash and cash equivalents	275	–	275
Trade receivables and other current assets	1,493	–	1,493
Inventories	164	–	164
Total current assets	1,932	–	1,932
Total assets	18,619	(500)	18,119
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	–	–	–
Reserves	(2,728)	(355)	(3,083)
	(2,728)	(355)	(3,083)
Minority interest	(581)	(138)	(719)
Total equity	(3,309)	(493)	(3,802)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(i) Effect on the consolidated statement of financial position as at 31 December 2007 (Continued)

	Before change in accounting policy HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	(7)	16
Other non-current liabilities	561	-	561
Total non-current liabilities	584	(7)	577
Current liabilities			
Trade and other payables	2,905	-	2,905
Payables to related companies	13,743	-	13,743
Borrowings	4,688	-	4,688
Current income tax liabilities	8	-	8
Total current liabilities	21,344	-	21,344
Total liabilities	21,928	(7)	21,921
Total equity and liabilities	18,619	(500)	18,119
Net current liabilities	(19,412)	-	(19,412)
Total assets less current liabilities	(2,725)	(500)	(3,225)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) Effect on the consolidated income statement for the year ended 31 December 2008

	Before change in accounting policy HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
Turnover	8,124	-	8,124
Cost of inventories sold	(698)	-	(698)
Staff costs	(630)	-	(630)
Depreciation and amortisation	(1,987)	597	(1,390)
Other operating expenses	(4,043)	(855)	(4,898)
Operating profit	766	(258)	508
Interest income	17	-	17
Interest and other finance costs	(223)	-	(223)
Share of results of jointly controlled entities	(11)	-	(11)
Profit before taxation	549	(258)	291
Taxation	(75)	2	(73)
Profit for the year	474	(256)	218
Attributable to:			
Equity holders of the Company	430	(200)	230
Minority interest	44	(56)	(12)
	474	(256)	218
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
– basic	8.93	(4.15)	4.78
– diluted	8.93	(4.15)	4.78

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) Effect on the consolidated statement of financial position as at 31 December 2008

	Before change in accounting policy HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	9,557	–	9,557
Goodwill	4,478	25	4,503
Other intangible assets	1,143	(758)	385
Other non-current assets	1,377	–	1,377
Deferred tax assets	368	–	368
Investments in jointly controlled entities	88	–	88
Total non-current assets	17,011	(733)	16,278
Current assets			
Cash and cash equivalents	272	–	272
Trade receivables and other current assets	1,137	–	1,137
Inventories	181	–	181
Total current assets	1,590	–	1,590
Total assets	18,601	(733)	17,868
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	–	–	–
Reserves	(2,394)	(555)	(2,949)
	(2,394)	(555)	(2,949)
Minority interest	(443)	(169)	(612)
Total equity	(2,837)	(724)	(3,561)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) Effect on the consolidated statement of financial position as at 31 December 2008 (Continued)

	Before change in accounting policy HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	88	(8)	80
Other non-current liabilities	641	-	641
Total non-current liabilities	729	(8)	721
Current liabilities			
Trade and other payables	3,062	-	3,062
Payables to related companies	12,418	-	12,418
Borrowings	5,220	-	5,220
Current income tax liabilities	9	(1)	8
Total current liabilities	20,709	(1)	20,708
Total liabilities	21,438	(9)	21,429
Total equity and liabilities	18,601	(733)	17,868
Net current liabilities	(19,119)	1	(19,118)
Total assets less current liabilities	(2,108)	(732)	(2,840)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iv) Estimated effect on the consolidated income statement for the year ended 31 December 2009

	Estimated effect of change in accounting policy - increase/(decrease) in profit attributable to equity holders of the Company HK$ millions
Turnover	-
Cost of inventories sold	-
Staff costs	-
Depreciation and amortisation	725
Other operating expenses	(795)
Operating profit	(70)
Interest income	-
Interest and other finance costs	-
Share of results of jointly controlled entities	-
Profit before taxation	(70)
Taxation	3
Profit for the year	(67)
Attributable to:	
Equity holders of the Company	(52)
Minority interest	(15)
	(67)
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):	
- basic	(1.08)
- diluted	(1.08)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(v) Estimated effect on the consolidated statement of financial position as at 31 December 2009

	Estimated effect of change in accounting policy - increase/(decrease) in respective items HK$ millions
ASSETS	
Non-current assets	
Property, plant and equipment	-
Goodwill	25
Other intangible assets	(828)
Other non-current assets	-
Deferred tax assets	-
Investments in jointly controlled entities	-
Total non-current assets	(803)
Current assets	
Cash and cash equivalents	-
Trade receivables and other current assets	-
Inventories	-
Total current assets	-
Total assets	(803)
EQUITY	
Capital and reserves attributable to equity holders of the Company	
Share capital	-
Reserves	(607)
	(607)
Minority interest	(184)
Total equity	(791)

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(v) Estimated effect on the consolidated statement of financial position as at 31 December 2009 (Continued)

	Estimated effect of change in accounting policy - increase/(decrease) in respective items HK$ millions
LIABILITIES	
Non-current liabilities	
Deferred tax liabilities	(9)
Other non-current liabilities	-
Total non-current liabilities	(9)
Current liabilities	
Trade and other payables	-
Payable to a related company	-
Borrowings	-
Current income tax liabilities	(3)
Total current liabilities	(3)
Total liabilities	(12)
Total equity and liabilities	(803)
Net current liabilities	3
Total assets less current liabilities	(800)

2 Summary of significant accounting policies (Continued)

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

At the date of approval of these financial statements, the following new/revised standards, amendments to standards and interpretations to existing standards have been issued but are not effective for the year ended 31 December 2009:

IFRSs (Amendments) [1]	Improvements to IFRSs
IAS 1 (Amendment) [1]	Presentation of Financial Statements
IAS 24 (Revised) [2]	Related Party Disclosures
IAS 27 (Revised) [1]	Consolidated and Separate Financial Statements
IAS 38 (Amendment) [1]	Intangible Assets
IFRS 2 (Amendment) [1]	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised) [1]	Business Combinations
IFRS 5 (Amendment) [1]	Measurement of Non-Current Assets (or Disposal Groups) Classified as Held-for-sale
IFRS 9 [3]	Financial Instruments
IFRIC 17 [1]	Distribution of Non-cash Assets to Owners
IFRIC 19 [2]	Extinguishing Financial Liabilities with Equity Instruments

(1) Effective for the Group for annual periods beginning 1 January 2010
(2) Effective for the Group for annual periods beginning 1 January 2011
(3) Effective for the Group for annual periods beginning 1 January 2013

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

(d) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2(k)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(d) Subsidiaries (Continued)

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

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(m)). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(e) Minority interest

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

(f) Jointly controlled entities

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

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

(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.

2 Summary of significant accounting policies (Continued)

(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 Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

- all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustments).

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

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

2 Summary of significant accounting policies (Continued)

(i) Property, plant and equipment

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

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

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

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

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

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.

(j) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the consolidated income statement. All other leases are accounted for as operating leases and the rental payments are charged to the consolidated income statement on a straight-line basis.

2 Summary of significant accounting policies (Continued)

(k) 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.

The increase in the Group's proportionate share of the underlying equity of a subsidiary is accounted for using the carrying value of the subsidiary's assets and liabilities. The difference between the amount paid for the additional equity interest of a subsidiary and the increase in the share of the carrying values of the subsidiary's assets and liabilities is recognised as goodwill.

(l) Other intangible assets

(i) Telecommunications licences

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

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

(ii) Patent

Acquired patent is stated at cost less accumulated amortisation and impairment losses. Patent with finite useful life is amortised from the date it is available for use and over its estimated useful life of 10 years.

2 Summary of significant accounting policies (Continued)

(m) 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.

(n) Financial assets

The Group classifies its financial assets in the following categories: held-to-maturity financial assets and 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) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. They are included in non-current assets, except for those with maturities within 12 months from the end of the reporting period, which are classified as current assets.

(ii) Loans and receivables

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

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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. Held-to-maturity financial assets and loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

(n) Financial assets (Continued)

(iii) Impairment of financial assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a 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 estimate 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 and other 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.

(o) Cash and cash equivalents

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

(p) Inventories

Inventories consist of handsets and phone accessories and are valued using the first-in, first-out 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.

(q) 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(n)(iii)).

(r) Trade payables

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

2 Summary of significant accounting policies (Continued)

(s) 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.

(t) 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.

(u) 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, for temporary differences arising between the tax bases of assets and liabilities and their carrying values 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 profits 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 when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies (Continued)

(v) 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.

(w) 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.

(x) Employee benefits

(i) Pension plans

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(x) Employee benefits (Continued)

(ii) Share-based payments

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

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

(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.

(y) Revenue recognition

The Group recognises revenue on the following bases:

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

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

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

3 Financial risk management

(a) Financial risk factors

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign currency exposure

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

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

	2009 HK$ millions	2008 HK$ millions
US$	**309**	145
EURO	**36**	35
Total net exposure: net assets	**345**	180

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.

	2009 HK$ millions	2008 HK$ millions
US$	**26**	12
EURO	**3**	3
	29	15

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:

	2009 HK$ millions	2008 HK$ millions
Borrowings at floating rates (Note 24)	**(4,358)**	(5,220)
Cash at banks and short-term bank deposits	**235**	272
Loan to the partner of a jointly controlled entity (Note 20(c))	**-**	75
Loan to a jointly controlled entity	**264**	-
	(3,859)	(4,873)

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 2009 and 2008 would have decreased by approximately HK$32 million and HK$41 million, respectively, mainly as a result of higher interest expenses on floating rate borrowings, interest income from cash and bank deposits and interest bearing loan to a jointly controlled entity; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

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

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

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

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The utilisation of credit limits is regularly monitored. Debtors who have overdue accounts are requested to settle all outstanding balances before any further credit is granted. Sales of telecommunications services and products to customers are primarily made in cash or through major credit cards. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The Group does not have significant exposure to any individual debtor.

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

	2009 HK$ millions	2008 HK$ millions
Cash at banks and short-term bank deposits (Note 19)	**268**	272
Trade and other receivables (Note 20)	**916**	908
Loan to the partner of a jointly controlled entity (Note 20(c))	**-**	75
	1,184	1,255

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 2009								
Borrowings (Note 24)	4,358	4,358	-	4,380	-	-	4,380	-
Trade payables (Note 26)	320	320	-	320	320	-	-	-
Other payables, accruals and deferred revenue (Note 26)	2,916	637	2,279	637	637	-	-	-
Licence fees liabilities (Notes 25 and 26)	531	531	-	846	91	101	362	292
	8,125	5,846	2,279	6,183	1,048	101	4,742	292

	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 2008								
Borrowings (Note 24)	5,220	5,220	-	5,220	5,220	-	-	-
Trade payables (Note 26)	385	385	-	385	385	-	-	-
Other payables, accruals and deferred revenue (Note 26)	2,605	464	2,141	464	464	-	-	-
Payables to related companies (Note 33(c))	12,418	12,418	-	12,418	12,418	-	-	-
Licence fees liabilities (Notes 25 and 26)	546	546	-	927	81	91	332	423
	21,174	19,033	2,141	19,414	18,568	91	332	423

3 Financial risk management (Continued)

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk. The Group's overall strategy remains unchanged from 2008.

The Group defines capital as total equity attributable to equity holders 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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(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 2009, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$8,607 million (2008: HK$8,837 million; 2007: HK$8,926 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 on the operation of the Group. The results of the impairment test undertaken as at 31 December 2009 indicated that no impairment charge was necessary.

(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 2009, the Group has recognised deferred tax assets of approximately HK$368 million (2008 and 2007: HK$368 million).

5 Turnover

Turnover comprises revenues from the provision of mobile telecommunications services; handset and accessory sales and the provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	2009 HK$ millions	2008 HK$ millions
Mobile telecommunications services	4,772	4,680
Fixed-line telecommunications services	2,875	2,729
Telecommunications products	802	715
	8,449	8,124

6 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represented 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 2009				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	5,578	3,221	-	(350)	8,449
Operating costs	(4,440)	(2,190)	(93)	349	(6,374)
Depreciation and amortisation	(655)	(633)	-	-	(1,288)
Operating profit/(loss)	483	398	(93)	(1)	787
Total assets	6,990	11,097	12,770	(13,103)	17,754
Total liabilities	(12,151)	(5,409)	(79)	9,229	(8,410)
Capital expenditures incurred during the year (including property, plant and equipment)	413	623	-	(1)	1,035

6 Segment information (Continued)

	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
	(Restated) As at and for the year ended 31 December 2008				
Turnover	5,395	3,035	–	(306)	8,124
Operating costs	(4,393)	(2,040)	(99)	306	(6,226)
Depreciation and amortisation	(757)	(633)	–	–	(1,390)
Operating profit/(loss)	245	362	(99)	–	508
Total assets	7,273	10,798	12,543	(12,746)	17,868
Total liabilities	(12,719)	(5,042)	(12,543)	8,875	(21,429)
Capital expenditures incurred during the year (including property, plant and equipment)	585	523	–	–	1,108

The Group is domiciled in Hong Kong. The total revenue from external customers in Hong Kong for the year ended 31 December 2009 amounted to approximately HK$8,049 million (2008: HK$7,707 million) and the total of revenue from external customers in Macau for the year ended 31 December 2009 amounted to approximately HK$400 million (2008: HK$417 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2009 amounted to approximately HK$15,634 million (2008 (restated): HK$15,675 million) and the total of these non-current assets located in Macau as at 31 December 2009 amounted to approximately HK$239 million (2008 (restated): HK$235 million).

7 Staff costs

	2009 HK$ millions	2008 HK$ millions
Wages and salaries	**611**	601
Termination benefits	**2**	6
Pension costs		
– defined benefit plans (Note 30(a))	**20**	12
– defined contribution plans	**10**	11
Equity-settled share-based payments	**1**	–
	644	630

7 Staff costs (Continued)

(a) Directors' emoluments

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

Notes:

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

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

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

None of the directors received fees or emoluments in respect of their services to the Company for the year ended 31 December 2008.

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 2009 (2008: Nil).

7 Staff costs (Continued)

(b) Five highest paid individuals

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

	2009 Number of individual	2008 Number of individual
Director of the Company	**1**	–
Senior management	**4**	5

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

	2009 HK$ millions	2008 HK$ millions
Basic salaries, allowances and benefits-in-kind	**11**	11
Bonuses	**13**	12
Pension costs	**1**	1
	25	24

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

	2009 Number of individual	2008 Number of individual
HK$3,000,001-HK$3,500,000	**3**	3
HK$4,000,001-HK$4,500,000	**1**	1
HK$10,000,001-HK$10,500,000	**1**	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 2009 (2008: Nil).

8 Other operating expenses

	2009 HK$ millions	(Restated) 2008 HK$ millions
Cost of services provided	**3,535**	3,596
General administrative and distribution costs	**327**	329
Operating leases in respect of		
– buildings	**410**	414
– hire of plant and machinery	**585**	451
Loss on disposals of property, plant and equipment	**18**	6
Auditor's remuneration	**11**	14
Provision for doubtful debts	**88**	88
Total	**4,974**	4,898

9 Interest and other finance costs, net

	2009 HK$ millions	2008 HK$ millions
Interest income:		
Bank interest income	**-**	17
Interest income from loan to a jointly controlled entity	**4**	-
	4	17
Interest and other finance costs:		
Bank loans repayable within 5 years	**(61)**	(135)
Notional non-cash interest accretion (Note)	**(77)**	(76)
Guarantee and other finance fees	**(46)**	(12)
	(184)	(223)
Interest and other finance costs, net	**(180)**	(206)

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

	2009 Current taxation HK$ millions	2009 Deferred taxation HK$ millions	2009 Total HK$ millions	2008 (Restated) Current taxation HK$ millions	2008 (Restated) Deferred taxation HK$ millions	2008 (Restated) Total HK$ millions
Hong Kong	-	54	54	-	64	64
Outside Hong Kong	7	-	7	9	-	9
	7	54	61	9	64	73

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%), on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided for at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the years are as follows:

	2009 HK$ millions	(Restated) 2008 HK$ millions
Profit before taxation	591	291
Tax calculated at domestic rates	82	60
Income not subject to taxation	(12)	(14)
Expenses not deductible for taxation purposes	12	1
Temporary differences not recognised	2	-
Utilisation of previously unrecognised tax losses	(59)	(52)
Utilisation of previously unrecognised temporary differences	(1)	-
Over provision in prior years	(30)	(27)
Tax losses not recognised	67	85
Effect of change in tax rate	-	19
Others	-	1
Total taxation charge	61	73

11 Earnings per share

The calculation of basic earnings per share based on profit attributable to equity holders of the Company of approximately HK$468 million (2008: HK$230 million) and on 4,814,346,208 ordinary shares issued upon the capitalisation of the payable to Hutchison Telecommunications International (Cayman) Holdings Limited ("HTI Cayman"), the former immediate holding company, as described in Note 22, as if such shares had been outstanding throughout the year ended 31 December 2009 (2008: Same).

For the year ended 31 December 2008, diluted earnings per share are equal to basis earnings per share as there were no potential dilutive ordinary shares outstanding. The diluted earnings per share for the year ended 31 December 2009 are based on 4,814,346,208 ordinary shares in issue by adjusting the weighted average number of 526,818 ordinary shares deemed to be issued assuming the exercise of the share options.

12 Dividends

	2009 HK$ millions	2008 HK$ millions
Interim, paid of HK cents 1.12 per share (2008: Nil)	**54**	–
Final, proposed of HK cents 6.16 per share (2008: Nil)	**297**	–
	351	–

13 Property, plant and equipment

The movements of property, plant and equipment for the years ended 31 December 2009, 2008 and 2007 are as follows:

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Construction in progress HK$ millions	Others HK$ millions	Total HK$ millions
Cost					
As at 1 January 2007	78	16,750	191	2,481	19,500
Additions	–	596	284	101	981
Disposals	(11)	(56)	(1)	(12)	(80)
Transfer between categories	–	102	(119)	17	–
As at 31 December 2007	67	17,392	355	2,587	20,401
Accumulated depreciation and impairment losses					
As at 1 January 2007	18	7,508	–	2,026	9,552
Charge for the year	2	998	–	210	1,210
Disposals	(4)	(40)	–	(12)	(56)
As at 31 December 2007	16	8,466	–	2,224	10,706
Net book value					
As at 31 December 2007	51	8,926	355	363	9,695

13 Property, plant and equipment (Continued)

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Construction in progress HK$ millions	Others HK$ millions	Total HK$ millions
Cost					
As at 1 January 2008	67	17,392	355	2,587	20,401
Additions	-	729	282	97	1,108
Disposals	-	(333)	(5)	(20)	(358)
Transfer between categories	-	208	(237)	29	-
As at 31 December 2008	67	17,996	395	2,693	21,151
Accumulated depreciation and impairment losses					
As at 1 January 2008	16	8,466	-	2,224	10,706
Charge for the year	2	1,017	-	212	1,231
Disposals	-	(324)	-	(19)	(343)
As at 31 December 2008	18	9,159	-	2,417	11,594
Net book value					
As at 31 December 2008	49	8,837	395	276	9,557

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

13 Property, plant and equipment (Continued)

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.

Telecommunications infrastructure and network equipment held under defeased finance lease arrangements are as follows:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Cost	**-**	-	3,223
Accumulated depreciation and impairment losses	**-**	-	(2,891)
Net book value	**-**	-	332
Depreciation during the year	**-**	-	126
Impairment loss during the year	**-**	-	-

14 Goodwill

	2009 HK$ millions	(Restated) 2008 HK$ millions	2007 HK$ millions
Gross carrying amount and net book value at beginning of year	**4,503**	3,813	3,813
Relating to additional equity interests in subsidiaries acquired	**-**	690	-
Gross carrying amount and net book value at end of year	**4,503**	4,503	3,813
Accumulated impairment losses at beginning and end of year	**-**	-	-

In June 2008, the Group entered into an agreement with NEC Corporation to acquire its entire equity interest in Pilot Gateway Limited, which holds 5% equity interest in Hutchison Telephone Company Limited ("HTCL") and Hutchison 3G HK Holdings Limited ("H3GHL"). Such transaction was completed in July 2008 and the Group's interest in both HTCL and H3GHL increased from 70.9% to 75.9%. Goodwill relating to the acquisition amounted to approximately HK$690 million.

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:

	2009 HK$ millions	(Restated) 2008 HK$ millions	2007 HK$ millions
Mobile business	**2,155**	2,155	1,465
Fixed-line business	**2,348**	2,348	2,348
	4,503	4,503	3,813

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period to 2014.

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

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

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

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

	2009	2008	2007
Mobile business	**7.1%**	7.4%	9.5%
Fixed-line business	**7.5%**	7.5%	9.5%

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

In accordance with the Group's accounting policy on asset impairment (Note 2(m)), the carrying values of goodwill were tested for impairment as at 31 December 2009 (2008 and 2007: Same). Note 4(a)(iii) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2009 indicated no impairment charge was necessary (2008 and 2007: Same).

15 Other intangible assets

	Telecom-munications licences HK$ millions	Patent HK$ millions	(Restated) Total HK$ millions
As at 1 January 2007			
Cost	616	12	628
Accumulated amortisation	(142)	(1)	(143)
Net book value	474	11	485
Year ended 31 December 2007			
Opening net book value	474	11	485
Amortisation for the year	(49)	(1)	(50)
Closing net book value	425	10	435
As at 1 January 2008			
Cost	616	12	628
Accumulated amortisation	(191)	(2)	(193)
Net book value	425	10	435
Year ended 31 December 2008			
Opening net book value	425	10	435
Amortisation for the year	(49)	(1)	(50)
Closing net book value	376	9	385
As at 1 January 2009			
Cost	**616**	**12**	**628**
Accumulated amortisation	**(240)**	**(3)**	**(243)**
Net book value	**376**	**9**	**385**
Year ended 31 December 2009			
Opening net book value	**376**	**9**	**385**
Amortisation for the year	**(48)**	**(1)**	**(49)**
Closing net book value	**328**	**8**	**336**
As at 31 December 2009			
Cost	**616**	**12**	**628**
Accumulated amortisation	**(288)**	**(4)**	**(292)**
Net book value	**328**	**8**	**336**

16 Other non-current assets

	Note	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Prepayments	(a)	**1,286**	1,332	1,371
Non-current deposits	(b)	**42**	45	490
Pension assets (Note 30(a))		**-**	-	15
		1,328	1,377	1,876

Notes:

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

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

The non-current deposits as at 31 December 2007 comprised mainly deposits pledged to a bank as collateral to secure certain performance bonds required by the Office of Telecommunications Authority ("OFTA") in Hong Kong under the terms of the mobile telecommunications licence granted to a subsidiary. The effective interest rate on non-current deposits as at 31 December 2007 was 4.3% per annum. Such pledged deposits were released in 2008.

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:

	2009 HK$ millions	(Restated) 2008 HK$ millions	(Restated) 2007 HK$ millions
Deferred tax assets	**368**	368	368
Deferred tax liabilities	**(134)**	(80)	(16)
Net deferred tax assets	**234**	288	352

17 Deferred tax assets and liabilities (Continued)

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

	Accelerated depreciation allowance HK$ millions	(Restated) Tax losses HK$ millions	(Restated) Total HK$ millions
As at 1 January 2007	(1,203)	1,571	368
Net credit/(charge) for the year	78	(94)	(16)
As at 31 December 2007	(1,125)	1,477	352
As at 1 January 2008	(1,125)	1,477	352
Net credit/(charge) for the year (Note 10)	118	(182)	(64)
As at 31 December 2008	(1,007)	1,295	288
As at 1 January 2009	**(1,007)**	**1,295**	**288**
Net credit/(charge) for the year (Note 10)	**51**	**(105)**	**(54)**
As at 31 December 2009	**(956)**	**1,190**	**234**

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

	2009 HK$ millions	(Restated) 2008 HK$ millions	(Restated) 2007 HK$ millions
Arising from unused tax losses	**655**	646	650
Arising from depreciation allowances	**2**	1	1
	657	647	651

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 2009, subject to the agreement by tax authorities, out of the total unrecognised tax losses of approximately HK$3,960 million (2008 (restated): HK$3,907 million; 2007 (restated): HK$3,704 million) carried forward, an amount of approximately HK$3,958 million (2008 (restated): HK$3,904 million; 2007 (restated): HK$3,699 million) can be carried forward indefinitely. The remaining amount of approximately HK$2 million (2008: HK$3 million; 2007: HK$5 million) will expire in the coming two to five years.

18 Investments in jointly controlled entities

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
As at 1 January	88	-	-
Loans to jointly controlled entities	198	99	-
Share of loss	(16)	(11)	-
As at 31 December	270	88	-

The loans to the jointly controlled entities are unsecured, have no fixed terms of repayment and non-interest bearing except for a loan of HK$264 million (2008: HK$75 million) which bears interest at HIBOR plus 3% per annum (2008: Same).

Particulars of the jointly controlled entities are summarised as follows:

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

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

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Assets			
Non-current assets	276	84	-
Current assets	9	14	-
	285	98	-
Liabilities			
Non-current liabilities	(8)	(97)	-
Current liabilities	(278)	(12)	-
	(286)	(109)	-
Net liabilities	(1)	(11)	-
Income	18	3	-
Expenses	(34)	(14)	-
Net loss	(16)	(11)	-
Proportionate interest in jointly controlled entities' capital commitments	1	4	-

18 Investments in jointly controlled entities (Continued)

As at 31 December 2009, there are no contingent liabilities related to the Group's interest in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves (2008 and 2007: Nil).

19 Cash and cash equivalents

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Cash at banks and in hand	**40**	42	87
Short-term bank deposits	**228**	230	188
	268	272	275

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.57% (2008: 0.68% to 3.79%; 2007: 3.71% to 5.10%) per annum. These deposits have an average maturity of 1 to 7 days (2008: 1 to 7 days; 2007: 1 to 4 days).

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

20 Trade receivables and other current assets

	Note	**2009 HK$ millions**	2008 HK$ millions	2007 HK$ millions
Trade receivables		**996**	1,017	854
Less: Provision for doubtful debts		**(185)**	(165)	(175)
Trade receivables, net of provision	(a)	**811**	852	679
Other receivables	(b)	**105**	56	117
Prepayments	(b)	**169**	154	146
Loan to the partner of a jointly controlled entity	(c)	**-**	75	-
Held-to-maturity debt securities	(d)	**-**	-	551
		1,085	1,137	1,493

20 Trade receivables and other current assets (Continued)

(a) Trade receivables, net of provision

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:			
0 – 30 days	**419**	364	349
31 – 60 days	**176**	185	138
61 – 90 days	**85**	86	79
Over 90 days	**131**	217	113
	811	852	679

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 2009, trade receivables of approximately HK$522 million (2008: HK$559 million; 2007: HK$469 million) were past due but not provided for. These relate to a number of independent customers that have a good track record with the Group. The ageing analysis of these trade receivables is as follows:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
The ageing analysis of trade receivables which are past due but not provided for is as follows:			
Past due 1 – 30 days	**300**	247	214
Past due 31 – 60 days	**92**	99	114
Past due 61 – 90 days	**49**	110	62
Past due over 90 days	**81**	103	79
	522	559	469

20 Trade receivables and other current assets (Continued)

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

As at 31 December 2009, trade receivables of approximately HK$185 million (2008: HK$165 million; 2007: HK$175 million) were impaired and provision for doubtful debts has been fully made in the financial statements. The ageing of these receivables is as follows:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
The ageing analysis of trade receivables which are provided for is as follows:			
Not past due	**3**	–	–
Past due 1-30 days	**6**	4	1
Past due 31-60 days	**20**	19	17
Past due 61-90 days	**18**	14	16
Past due over 90 days	**138**	128	141
	185	165	175

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

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Beginning of year	**165**	175	159
Increase in provision recognised in the consolidated income statement	**208**	161	145
Amounts recovered in respect of brought forward balance	**(120)**	(73)	(79)
Write-off during the year	**(68)**	(98)	(50)
End of year	**185**	165	175

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 and prepayments

The carrying values of other receivables approximate their fair values. Other receivables and prepayments 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.

20 Trade receivables and other current assets (Continued)

(c) Loan to the partner of a jointly controlled entity

Loan to the partner of a jointly controlled entity as at 31 December 2008 was unsecured, bore interest at HIBOR plus 3% per annum and was fully settled in 2009.

(d) Held-to-maturity debt securities

The carrying amounts of held-to-maturity securities were denominated in US dollars.

The held-to-maturity debt securities as at 31 December 2007 represented investment in corporate and other bonds which were restricted to be used for repayment of the amounts due under the defeased finance lease arrangement. The defeased lease arrangement was fully settled in 2008.

21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2009, the amount of inventories carried at net realisable value was approximately HK$3 million (2008: HK$21 million; 2007: HK$9 million).

22 Share capital

(a) Authorised share capital of the Company

As at 31 December 2008, the authorised share capital of the Company comprised of 50,000 ordinary shares of US$1 each.

On 6 April 2009, the Company's authorised share capital was increased by HK$2,500 million by the creation of 10 billion shares of HK$0.25 each. 32 shares of HK$0.25 each were issued at par for cash to HTI Cayman. On the same date, the original issued share of US$1 was repurchased by the Company at par for cancellation; and all the unissued shares of US$1 each in the Company's authorised share capital of US$50,000 were cancelled.

(b) Issued share capital of the Company

	Ordinary share of US$1 each		Ordinary share of HK$0.25 each	
	Number of Shares	Issued and fully paid HK$ millions	Number of Shares	Issued and fully paid HK$ millions
As at 1 January 2008 and 31 December 2008	**1**	**-**	**-**	**-**
Issued during the year	**-**	**-**	**4,814,346,208**	**1,204**
Repurchased and cancelled during the year	**(1)**	**-**	**-**	**-**
As at 31 December 2009	**-**	**-**	**4,814,346,208**	**1,204**

22 Share capital (Continued)

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

On 6 April 2009, the Company entered into an agreement with HTI Cayman that, subject to the Stock Exchange's approval of the spin-off of the Company and the Listing Committee of the Stock Exchange granting approval for the listing of the shares of the Company on the Main Board of the Stock Exchange, 4,814,346,176 shares of the Company would be allotted and issued, credited as fully paid, to HTI Cayman as consideration for the capitalisation of the payable to this company amounting to approximately HK$12,418 million. The above conditions were fulfilled and the aforesaid shares were issued on 7 May 2009. As a result, HK$1,204 million and HK$11,214 million were recognised as share capital and share premium during the year ended 31 December 2009, respectively.

(c) Share options of the Company

The Company's share option scheme, conditionally approved and adopted by a resolution of the then sole shareholder of the Company on 6 April 2009 was approved by Hutchison Whampoa Limited ("HWL") at an extraordinary general meeting on 21 May 2009. The Board of Directors may, under the share option scheme, grant share options to employees, directors or non-executive directors of the Group.

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

	Weighted average exercise price per share HK$	Number of share options granted
As at 1 January 2009	-	-
Granted on 1 June 2009	1	4,750,000
As at 31 December 2009	1	4,750,000

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). As at 31 December 2009, out of the 4,750,000 outstanding share options, 3,166,666 share options were exercisable.

The fair value of share options granted during the year 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%.

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 2007, previously reported	-	(3,026)	1	(18)	-	17	(3,026)
Effect of change in accounting policy	-	(268)	-	-	-	-	(268)
As at 1 January 2007, restated	-	(3,294)	1	(18)	-	17	(3,294)
Profit for the year	-	180	-	-	-	-	180
Actuarial gains of defined benefit plans	-	-	-	31	-	-	31
As at 31 December 2007, restated	-	(3,114)	1	13	-	17	(3,083)

	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 2008, previously reported	-	(2,759)	1	13	-	17	(2,728)
Effect of change in accounting policy (Note 2(b))	-	(355)	-	-	-	-	(355)
As at 1 January 2008, restated	-	(3,114)	1	13	-	17	(3,083)
Profit for the year	-	230	-	-	-	-	230
Actuarial losses of defined benefit plans	-	-	-	(96)	-	-	(96)
As at 31 December 2008, restated	-	(2,884)	1	(83)	-	17	(2,949)

23 Reserves (Continued)

Group (Continued)

	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions
As at 1 January 2009, previously reported	-	(2,329)	1	(83)	-	17	(2,394)
Effect of change in accounting policy (Note 2(b))	-	(555)	-	-	-	-	(555)
As at 1 January 2009, restated	-	(2,884)	1	(83)	-	17	(2,949)
Profit for the year	-	468	-	-	-	-	468
Issue of shares (Note 22(b))	11,214	-	-	-	-	-	11,214
Share issuance costs	(33)	-	-	-	-	-	(33)
Dividend paid (Note 12)	-	(54)	-	-	-	-	(54)
Actuarial gains of defined benefit plans	-	-	-	42	-	-	42
Employee share option scheme - value of services provided	-	-	-	-	1	-	1
As at 31 December 2009	11,181	(2,470)	1	(41)	1	17	8,689

The accumulated losses of the Group include accumulated losses of approximately HK$27 million (2008: HK$11 million; 2007: Nil) incurred by jointly controlled entities.

23 Reserves (Continued)

Company

	Share premium HK$ millions	Retained earnings HK$ millions	Employee share-based compensation reserve HK$ millions	Total HK$ millions
As at 1 January 2007	–	–	–	–
Results for the year	–	–	–	–
As at 31 December 2007	–	–	–	–
As at 1 January 2008	–	–	–	–
Results for the year	–	–	–	–
As at 31 December 2008	–	–	–	–
As at 1 January 2009	-	-	-	-
Profit for the year	-	359	-	359
Employee share option scheme				
– value of services provided	-	-	1	1
Dividend paid (Note 12)	-	(54)	-	(54)
Issue of shares (Note 22(b))	11,214	-	-	11,214
Share issuance costs	(33)	-	-	(33)
As at 31 December 2009	11,181	305	1	11,487

As at 31 December 2009, the aggregate amount of reserves available for distribution to equity holders of the Company was HK$11,487 million (2008 and 2007: Nil).

24 Borrowings

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Current			
Bank loans	-	5,220	4,133
Other loans	-	–	555
	-	5,220	4,688
Non-current			
Bank loans	4,358	–	–
	4,358	–	–
Total borrowings	4,358	5,220	4,688

The maturity of borrowings is as follows:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Bank loans			
Repayable within 1 year	-	5,220	4,133
Repayable after 2 years, but within 5 years	4,358	–	–
Other loans			
Repayable within 1 year	-	–	555
Total borrowings	4,358	5,220	4,688

Included in other loans are obligations under finance lease repayable as follows:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Finance lease obligations – minimum lease payments:			
Not later than 1 year	-	–	551
Future finance charges on finance lease obligations	-	–	–
Present value of finance lease obligations	-	–	551
The present value of finance lease obligations is as follows:			
Not later than 1 year	-	–	551
	-	–	551

24 Borrowings (Continued)

The Group's borrowings are denominated in the following currencies:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
HK$	**4,358**	5,220	4,137
US$	**-**	–	551
	4,358	5,220	4,688

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

	Maturity date	**2009 HK$ millions**	2008 HK$ millions	2007 HK$ millions
Secured bank loans				
Variable, 2009: Nil				
(2008: Nil; 2007: 5.1%)				
per annum	2008	**-**	–	4,048
Unsecured bank loans				
Variable, 2009: 1.1%				
(2008: 2.7%; 2007: 5.0%)				
per annum	2008-2012	**4,358**	5,220	85
Finance lease obligations				
Fixed, 2009: Nil				
(2008: Nil; 2007: 0% to 7%)				
per annum	2008	**-**	–	551
Other unsecured loans				
Fixed, 2009: Nil				
(2008: Nil; 2007: 7.5%)				
per annum	2008	**-**	–	4
Total borrowings		**4,358**	5,220	4,688
Less: Total borrowings repayable within twelve months		**-**	(5,220)	(4,688)
Total non-current borrowings		**4,358**	–	–

The fair values of the Group's total borrowings at 31 December 2009 are based on cash flows discounted using the effective interest rates of the Group's total borrowings per annum, excluding obligations under finance lease, of 1.1% (2008: 2.7%; 2007: ranging from 5.0% to 7.5%).

The carrying values of the Group's total borrowings as at 31 December 2009, 2008 and 2007 approximate to their fair values.

As at 31 December 2007, certain property, plant and equipment of certain subsidiaries were used as collateral for certain borrowings. These property, plant and equipment and non-current assets and current assets had the carrying values of HK$3,084 million and HK$2,290 million respectively.

24 Borrowings (Continued)

As at 31 December 2009 and 2008, none of the Group's borrowings were secured. As at 31 December 2007, HK$4,599 million of the Group's current borrowings were secured.

As at 31 December 2008, total borrowings of HK$5,220 million was guaranteed by Hutchison Telecommunications International Limited ("HTIL") in relation to a HK$9,000 million term and revolving credit facility agreement with a group of international commercial banks jointly entered into by HTCL, a subsidiary of the Company, and HTIL.

25 Other non-current liabilities

	Note	**2009 HK$ millions**	2008 HK$ millions	2007 HK$ millions
Non-current licence fees liabilities	(a)	**450**	474	487
Pension obligations (Note 30(a))		**43**	81	–
Accrued expenses and other payables		**102**	86	74
		595	641	561

(a) Licence fees liabilities

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Licence fees liabilities – minimal annual fees payments:			
Not later than 1 year	**91**	81	71
After 1 year, but within 5 years	**463**	423	382
After 5 years	**292**	423	544
	846	927	997
Future finance charges on licence fees liabilities	**(315)**	(381)	(447)
Present value of licence fees liabilities	**531**	546	550
The present value of licence fees liabilities is as follows:			
Current portion of licence fees liabilities (Note 26)	**81**	72	63
Non-current licence fees liabilities:			
After 1 year, but within 5 years	**310**	283	255
After 5 years	**140**	191	232
	450	474	487
Total licence fees liabilities	**531**	546	550

26 Trade and other payables

	Note	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Trade payables	(a)	**320**	385	328
Other payables and accruals		**1,689**	1,398	1,420
Deferred revenue		**1,227**	1,207	1,094
Current portion of licence fees liabilities (Note 25)		**81**	72	63
		3,317	3,062	2,905

(a) Trade payables

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
The ageing analysis of trade payables is as follows:			
0 – 30 days	**69**	144	89
31 – 60 days	**44**	60	45
61 – 90 days	**26**	28	40
Over 90 days	**181**	153	154
	320	385	328

27 Notes to consolidated statement of cash flows

(a) Cash generated from operations

	2009 HK$ millions	(Restated) 2008 HK$ millions
Cash flows from operating activities		
Profit before taxation	**591**	291
Adjustments for:		
– Interest income (Note 9)	**(4)**	(17)
– Interest and other finance costs (Note 9)	**184**	223
– Depreciation and amortisation	**1,288**	1,390
– Loss on disposals of property, plant and equipment (Note 8)	**18**	6
– Share of results of jointly controlled entities (Note 18)	**16**	11
Changes in working capital		
– Increase in trade receivables and other current assets	**(27)**	(116)
– Decrease/(increase) in inventories	**21**	(17)
– Increase in trade and other payables	**171**	80
– Retirement benefits obligations	**5**	(1)
Cash generated from operations	**2,263**	1,850

27 Notes to consolidated statement of cash flows (Continued)

(b) Analysis of changes in financing during the year

	Borrowings HK$ millions	(Restated) Minority interest HK$ millions
As at 1 January 2008	4,688	719
New loans	5,650	-
Repayment of loans	(5,118)	-
Minority interest in results for the year	-	12
Relating to additional interest in subsidiaries acquired	-	(120)
Actuarial losses of defined benefit plans	-	1
As at 31 December 2008	5,220	612
As at 1 January 2009	**5,220**	**612**
New loans	**9,462**	**-**
Repayment of loans	**(10,330)**	**-**
Minority interest in results for the year	**-**	**(62)**
Amortisation of loan facility fee	**6**	**-**
Actuarial gains of defined benefit plans	**-**	**(1)**
As at 31 December 2009	**4,358**	**549**

28 Contingent liabilities

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

	2009 HK$ millions	2008 HK$ millions
Performance guarantees	**637**	512
Financial guarantees	**16**	39
	653	551

29 Commitments

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

(a) Capital commitments

	2009 HK$ millions	2008 HK$ millions
Property, plant and equipment		
Contracted but not provided for	673	763
Authorised but not contracted for	635	1,397
	1,308	2,160
Investment in a jointly controlled entity		
Contracted but not provided for	6	16

(b) Operating lease commitments

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

	Buildings		Other assets	
	2009 HK$ millions	2008 HK$ millions	2009 HK$ millions	2008 HK$ millions
Not later than one year	286	288	148	142
Later than one year and not later than five years	133	182	72	78
Later than five years	1	1	-	-
	420	471	220	220

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

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

30 Employee retirement benefits

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

(a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2009, 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 (2008 and 2007: Same).

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

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Pension assets (Note 16)	**-**	-	15
Pension obligations (Note 25)	**(43)**	(81)	-
	(43)	(81)	15

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

	2009	2008	2007
Discount rate applied to defined benefit plan obligations	**2.20%-2.30%**	1.60%-1.70%	3.20%-3.30%
Expected return on plan assets	**7%**	7%	8%
Future salary increases	**1.50%-3.00%**	0.00%-3.00%	4.00%-5.00%
Interest credited on plan accounts	**5.00%-6.00%**	5.00%-6.00%	5.00%-6.00%

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
The amount recognised in the consolidated income statement:			
Current service cost	**26**	22	21
Interest cost	**3**	6	6
Expected return on plan assets	**(9)**	(16)	(14)
Total, included in staff costs (Note 7)	**20**	12	13
The amount recognised in the consolidated statement of financial position:			
Present value of funded plans' obligations	**(221)**	(218)	(188)
Less: Fair value of plan assets	**178**	137	203
(Liability)/asset recognised in the consolidated statement of financial position	**(43)**	(81)	15

30 Employee retirement benefits (Continued)

(a) Defined benefit plans (Continued)

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions
Changes in present value of the defined benefit obligations			
Beginning of year	**218**	188	172
Current service cost net of employee contributions	**26**	22	21
Actual employee contributions	**1**	1	1
Interest cost	**3**	6	6
Actuarial (gains)/losses on obligations	**(20)**	21	5
Actual benefits paid	**(7)**	(20)	(19)
Net transfer in liabilities	**-**	–	2
End of year	**221**	218	188
Changes in the fair value of the plan assets			
Beginning of year	**137**	203	166
Expected return on plan assets	**9**	16	14
Actuarial gains/(losses) on plan assets	**23**	(76)	37
Contribution by employer	**15**	13	2
Contribution by employees	**1**	1	1
Actual benefits paid	**(7)**	(20)	(19)
Net transfer in assets	**-**	–	2
End of year	**178**	137	203
The analysis of the fair value of plan assets at end of year is as follows:			
Equity instruments	**63%**	54%	66%
Debt instruments	**22%**	25%	18%
Other assets	**15%**	21%	16%
	100%	100%	100%

Expected contributions to defined benefit plans for the year ending 31 December 2010 are approximately HK$21 million.

30 Employee retirement benefits (Continued)

(a) Defined benefit plans (Continued)

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

The actual return on plan assets during the year ended 31 December 2009 was a gain of HK$32 million (2008: loss of HK$60 million; 2007: gain of HK$51 million).

The accumulated actuarial losses/(gains) recognised in the statement of comprehensive income as at 31 December 2009 was approximately HK$46 million (2008: HK$89 million; 2007: HK$(8) million).

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

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2009 reported a funding level of 99.8% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2009, 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$4 million (2008: HK$5 million) were utilised during the year leaving HK$0.1 million (2008: HK$0.4 million) available at the year end to reduce future contributions.

31 Investments in subsidiaries

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

Particulars of principal subsidiaries are set out on pages 138 and 139.

32 Ultimate holding company

As at 31 December 2009, the Company was owned as to approximately 63% by HWL with the remaining shares being widely held. The directors regarded HWL as the Company's ultimate holding company.

33 Related party transactions

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

Related Party Group:

(1) HWL Group – HWL together with its direct and indirect subsidiaries, excluding 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 financial statements, transactions between the Group and other related parties during the year are summarised below.

(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.

33 Related party transactions (Continued)

(b) Transactions with related parties:

	2009 HK$ millions	2008 HK$ millions
Continuing transactions		
HWL Group		
Provision of mobile telecommunications services	**34**	45
Provision of fixed-line telecommunications services	**95**	99
Sale of telecommunications products	**1**	1
Purchase of telecommunications products, net of rebates	**4**	(142)
Purchase of telecommunications services	**(8)**	(8)
Rental expenses on lease arrangements	**(62)**	(57)
Dealership service expenses	**(30)**	(27)
Billing collection service expenses	**(14)**	(14)
Purchase of office supplies	**(8)**	(6)
Purchase of air tickets and hotel accommodation	**(2)**	(3)
Advertising and promotion expenses	**(22)**	(23)
Global procurement service arrangement expenses	**(14)**	(13)
Purchase of property, plant and equipment	**(16)**	(15)
Sharing of services arrangement	**(21)**	-
HTIL Group		
Provision of mobile telecommunications services	**1**	3
Provision of fixed-line telecommunications services	**1**	-
Sale of telecommunications products	**33**	27
Purchase of telecommunications services	**(2)**	-
Treasury management service fee	**(5)**	(8)
CKH Group		
Provision of mobile telecommunication services	**1**	-
Provision of fixed-line telecommunications services	**57**	45
Rental expenses on lease arrangements	**(5)**	(5)
Purchase of telecommunications services	**(3)**	(12)
Purchase of business risks management services	**(7)**	(8)
DoCoMo Group		
Provision of mobile telecommunications services	**19**	25

33 Related party transactions (Continued)

(b) Transactions with related parties (Continued):

	2009 HK$ millions	2008 HK$ millions
Discontinued transactions		
HTIL Group		
Sharing of services arrangement	(18)	(44)

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 related parties:

		Group			Company	
	Note	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions	2009 HK$ millions	2008 HK$ millions
Amounts due from subsidiaries		-	-	-	8,896	8,672
Receivables from related companies	(i)	-	-	-	8,896	8,672
Amount due to the immediate holding company						
HTI (Cayman)	(ii)	-	12,418	8,600	-	12,418
Amount due to an intermediate holding company						
Hutchison Telecommunications International (HK) Limited		-	-	5,143	-	-
Amounts due to subsidiaries		-	-	-	77	125
Payables to related companies	(iii)	-	12,418	13,743	77	12,543

Notes:

(i) The receivables from related companies are unsecured, interest free and repayable on demand.

(ii) The payable to the immediate holding company of approximately HK$12,418 million as at 31 December 2008 was capitalised for the issuance of 4,814,346,176 shares of the Company on 7 May 2009 (Note 22(b)).

(iii) The payables to related companies are unsecured, interest free and repayable on demand.