

# Chairman's Statement

2010 represented a year of progress for Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together the "Group"). The revenues and profits of the Group in 2010 exceeded those in 2009, underpinned by strong sales of smartphones and significant growth in mobile data usage throughout the Group's extensive and expanding customer base.

## Results

Consolidated turnover for 2010 amounted to HK\$9,880 million, representing a growth of 17% compared to HK\$8,449 million in 2009. Profit attributable to shareholders of the Company was HK\$755 million, reflecting growth of 61% compared to HK\$468 million for 2009. Basic earnings per share were 15.68 HK cents for 2010, compared to 9.72 HK cents for 2009.

## Dividends

The board of directors (the "Board") recommends payment of a final dividend of 6.83 HK cents per share for the year 2010 (2009: 6.16 HK cents), or HK\$329 million in total, to those persons registered as shareholders of the Company on Thursday, 19 May 2011. This, together with interim dividend paid, represents a growth of 39% compared to that in 2009. The proposed final dividend will be paid on Friday, 20 May 2011, following approval at the Annual General Meeting of the Company. The register of members will be closed from Friday, 13 May 2011 to Thursday, 19 May 2011, both days inclusive.

## Financial Review

While successfully pursuing a carefully-considered strategy of achieving turnover growth of 17%, the Group also focused on controlling costs. Total operating expenses of the Group, excluding cost of inventories sold, were HK\$6,997 million in 2010, a slight increase compared to HK\$6,906 million in 2009. Staff costs of HK\$646 million in 2010 were in line with HK\$644 million in 2009. Depreciation and amortisation decreased by 16% to HK\$1,087 million in 2010 from

HK\$1,288 million in 2009 mainly due to a change in the estimated useful lives of various categories of 2G network equipment in Hong Kong. Other operating expenses increased by 6% to HK\$5,264 million in 2010 from HK\$4,974 million in 2009 due to increased activities. Cost of inventories sold increased to HK\$1,776 million in 2010 from HK\$756 million in 2009 which was in line with growing sales of smartphones.

Interest and other finance costs in 2010 decreased by 30% to HK\$128 million compared to HK\$184 million in 2009 mainly due to lower borrowings.

As a result of solid business growth in 2010, profit attributable to shareholders of the Company was HK\$755 million compared to HK\$468 million in 2009, representing an increase of 61%.

## Business Review

### *Mobile business - Hong Kong and Macau*

Recognised as a champion of driving smartphone usage with a sharp focus on the high-end, data-centric mobile communications community, 3's subscriber base in Hong Kong and Macau exceeded the 3-million mark, to reach a total of approximately 3.20 million as at the end of 2010 (2009: 2.96 million).

The Group has maintained clear leadership, in terms of our overall subscription in Hong Kong, and has become the second largest mobile operator in Macau. The strong positioning of our customer base has enabled us to capitalise on increasingly aggressive smartphone penetration and the rising number of mobile data users.

Accelerating the exploitation of this mobile data growth in 2010, the Group launched successful marketing campaigns, expanded network coverage and capability, developed value-for-money tariff plans and co-operated with high-profile content providers in order to develop a distinctive customer experience. The Group is well positioned to take advantage of further anticipated migration into smartphone usage, which will generate demand for data services, bandwidth-consuming applications and higher data speed.

### Fixed-line business - Hong Kong

**HGC's** constantly-enhanced fixed-line network addresses the needs of a diversity of customers, ranging from telecommunications operators, local mobile service providers, financial institutions and small-to-medium-sized enterprises to government departments, other public sector organisations and educational institutions.

Our consumer broadband sales activities increased during 2010, harnessing the power of the **3** brand to market residential fixed-line services. The 3ree Broadband brand campaign highlighted the many customer benefits generated by our pre-eminence in fixed-mobile integration. This has been made possible by combining Hong Kong's most extensive optical-fibre capability with supremacy in the high-end, data-centric mobile communications market.

Executing a well-planned international business strategy, **HGC** has established itself as a globally-recognised and preferred telecommunications operator among international carriers, Internet service providers and multinational corporations alike - at home and overseas.

In Hong Kong, continued development of backbone transmission capability has strengthened our ability to serve both local and overseas operators into a new era of broadband technology.

**HGC** also manages the large-scale needs of the banking and finance sectors with solutions based on leading-edge technologies. Introduction of the MetroLambda service has facilitated an increasing number of high-bandwidth applications, which serve to promote reliability and save costs.

### Outlook

After achieving strong results in 2010, the Group has moved forward by capitalising on increasing demand for mobile data. At the same time, the Group has further enhanced the overall customer experience by upgrading network capacity and capability through 3G infrastructure modernisation, while offering a variety of smartphone models, plus exclusive applications. A successful bid for 900MHz radio spectrum paves the way for establishing a better foundation for high-speed data services. Our leadership will be further reinforced by a planned LTE service rollout later in 2011.

The Group is focusing on deeper penetration in the fixed-line consumer market with services of download speed up to 1,000Mbps, while boosting customer loyalty and developing stronger retention initiatives. The Group is making full use of Hong Kong's status as a fixed-line regional hub in order to expand around the region, while broadening its service portfolio and increasing the value of its offering to diverse customer groups. Following years of investment, the Group has achieved substantial market share across a range of business segments. The Group will build on this success by continuing a segmentation strategy and developing comprehensive solutions tailored to customers' specific needs on a sector-by-sector basis.

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

### FOK Kin-ning, Canning

Chairman

Hong Kong, 21 March 2011