



Chairman's Statement

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

Results

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

Dividends

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

Business Review

Mobile business - Hong Kong and Macau

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

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

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

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

Fixed-line business

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

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

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

Outlook

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

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

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

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

FOK Kin Ning, Canning

Chairman

Hong Kong, 20 March 2012