



Report of the Directors

The Directors have pleasure in submitting to shareholders their report and the audited financial statements for the year ended 31 December 2011.

Principal Activities

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

Group Profit

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

Dividends

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

The Directors recommend the declaration of a final dividend at the rate of 10.70 HK cents per share, or HK\$516 million in total, payable on 6 June 2012 to those persons registered as shareholders on 28 May 2012, being the record date set for the entitlement to the proposed final dividend.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in Note 23 to the consolidated financial statements.

Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK\$0.5 million (2010: HK\$0.3 million).

Property, Plant and Equipment

Particulars of the movements of property, plant and equipment are set out in Note 13 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company are set out in Note 22 to the consolidated financial statements.

Directors

The Board of Directors of the Company (the "Board") as at 31 December 2011 comprised nine Directors: Mr Fok Kin Ning, Canning (Chairman and a Non-executive Director); Mr Lui Dennis Pok Man (Deputy Chairman and a Non-executive Director); Mr Wong King Fai, Peter (Executive Director); three Non-executive Directors, namely, Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic (Mr Ma Lai Chee, Gerald is Alternate Director to Mr Lai Kai Ming, Dominic); and three Independent Non-executive Directors, namely, Mr Cheong Ying Chew, Henry, Mr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna.

In accordance with Article 84 of the Articles of Association of the Company, Mr Lui Dennis Pok Man, Mrs Chow Woo Mo Fong, Susan and Mr Lan Hong Tsung, David will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company received confirmations from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

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

Directors' Service Contracts

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

Interest in Contracts

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

Continuing Connected Transactions

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

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

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

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

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

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

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

(iii) Provision of dealership services by the HWL Group

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

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

(iv) Supply of promotional items by the HWL Group

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

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

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

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

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

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

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

- (a) the HWL Group Supplies include intellectual property rights licensing; roaming services; bill collection services; telecommunications products (such as contents); local and international fixed-line telecommunications services (including international direct dialing ("IDD") services and international private leased circuits); leasing and licensing of offices, building spaces, car parks and warehouses; distilled water, food and beverages, groceries; stationeries, office supplies; computer supplies; printing services; records management services; office relocation services; hotel services; travel and transportation services; IT-related services (including IT platforms development services, software solutions and applications development services and other professional services); marketing, advertising and promotional services; and collaboration on the development of video and radio programmes; and
- (b) the Group Supplies include mobile telecommunications products (including mobile handsets, accessories and related products); mobile telecommunications services (including IDD and roaming services and other value-added services); telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, and Internet and web-hosting services); roaming services; and procurement of local and international fixed-line telecommunications services.

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

- (a) the 2012 HWL group supplies (the "2012 HWL Group Supplies") include intellectual property rights licensing; roaming services; bill collection services; telecommunications products (such as contents); local and international fixed-line telecommunications services (including IDD services and international private leased circuits); leasing and licensing of offices, building spaces, car parks and warehouses; distilled water, food and beverages, groceries; stationeries, office supplies; computer supplies; printing services; records management services; office relocation services; hotel services; travel and transportation services; IT-related services (including IT platforms development services, software solutions and applications development services and other professional services); marketing, advertising and promotional services; promotional items; collaboration on the development of video and radio programmes; dealership services; global procurement services; and handset and other device supplies; and
- (b) the 2012 group supplies (the "2012 Group Supplies") include data centre services (including data centre facilities (such as power supply, telecommunications connectivity, air-conditioning, fire prevention and security systems), hardware and software management and co-location services), mobile telecommunications products (including mobile handsets, accessories and related products); mobile telecommunications services (including IDD and roaming services and other value-added services); telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, and Internet and web-hosting services); roaming services; and procurement of local and international fixed-line telecommunications services.

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

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

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

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

Prior to the Listing Date, the Company and HTIL (the "HTIL Master Agreement") entered into a master agreement dated 17 April 2009 whereby HTIL will procure relevant members of the HTIL Group (which, for the purpose of the HTIL Master Agreement, include entities controlled, directly or indirectly, as to more than 50% by HTIL and such other entities in which HTIL is from time to time directly or indirectly interested so as to exercise or control the exercise of 50% of voting power at general meetings in such entities) to provide or acquire (as appropriate), and the Company will procure relevant members of the Group (which, for the purpose of the HTIL Master Agreement, include entities controlled, directly or indirectly, as to

more than 50% by the Company and the Company's JCE(s)) to acquire or provide (as appropriate), the following range of products and services of the HTIL Group or of the Group and such other products or services as may be agreed from time to time (the "HTIL Group Supplies" and the "Group Supplies", respectively) on a non-exclusive basis as and when reasonably requested by relevant members of the Group or of the HTIL Group:

- (a) the HTIL Group Supplies include leasing and licensing of offices, building spaces, car parks and warehouses; roaming services; and general treasury management services; and
- (b) the Group Supplies include data centre services (including data centre facilities (such as power supply, telecommunications connectivity, air-conditioning, fire prevention and security systems), hardware and software management and co-location services); mobile telecommunications services (including local voice, IDD and roaming services and other value-added services); telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, Internet and web-hosting services); mobile telecommunications products (including handsets hardware and other accessories) and the related support; and roaming services.

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

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

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

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

Grant of Waiver

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

Annual Review of Continuing Connected Transactions

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

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

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

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

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

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

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

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

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

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Number of underlying shares held in American Depository Shares	Approximate % of shareholding
Fok Kin Ning, Canning	Interest of a controlled corporation	Corporate interest	1,202,380 <i>(Note 1)</i>	-	0.0250%
Lui Dennis Pok Man	Beneficial owner	Personal interest	9,100,000	-	0.1889%
Wong King Fai, Peter	Beneficial owner	Personal interest	2,666,667	-	0.0553%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	250,000	-	0.0052%
Frank John Sixt	Beneficial owner	Personal interest	-	255,000 <i>(Note 2)</i>	0.0053%

Notes:

- Such ordinary shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.
- 17,000 American Depository Shares (each representing 15 ordinary shares) were held by Mr Frank John Sixt.

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

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

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

- (i) corporate interests in 6,010,875 ordinary shares, representing approximately 0.141% of the then issued share capital, in HWL;
- (ii) 5,100,000 ordinary shares, representing approximately 0.038% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (iii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.056% of the then issued share capital, in Hutchison Harbour Ring Limited; and
- (iv) corporate interests in (a) a nominal amount of US\$1,216,000 in the 6.50% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited; (b) a nominal amount of US\$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; and (c) a nominal amount of US\$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited ("HWI(10)").

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

Mr Wong King Fai, Peter had, as at 31 December 2011, family interests in 22,000 ordinary shares, representing approximately 0.0005% of the then issued share capital, in HWL held by his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2011, personal interests in 190,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in HWL.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2011, personal interests in (i) 200,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in HWL; (ii) 1,000,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in HTAL; and (iii) a nominal amount of US\$1,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by HWI(10).

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2011, personal interests in 50,000 ordinary shares, representing approximately 0.001% of the then issued share capital, in HWL.

Mr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2011, personal interests in 20,000 ordinary shares, representing approximately 0.0005% of the then issued share capital, in HWL.

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

Interests and Short Positions of Shareholders Discloseable under the SFO

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

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

Long positions in the shares of the Company

Name	Capacity	Number of shares held	Approximate % of shareholding
Hutchison Telecommunications Investment Holdings Limited ("HTIHL")	(i) Beneficial owner	2,619,929,104) (Note 1))	
	(ii) Interest of a controlled corporation	512,961,149) (Note 1))	65.02%
Hutchison Telecommunications Group Holdings Limited ("HTGHL")	Interest of controlled corporations	3,132,890,253 (Note 1)	65.02%
Ommaney Holdings Limited ("OHL")	Interest of controlled corporations	3,132,890,253 (Note 1)	65.02%
HIL	Interest of controlled corporations	3,132,890,253 (Note 1)	65.02%
HWL	Interest of controlled corporations	3,132,890,253 (Note 1)	65.02%
CKH	Interest of controlled corporations	3,184,982,840 (Note 2)	66.10%
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	3,184,982,840 (Note 3)	66.10%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee and beneficiary of a trust	3,184,982,840 (Note 4)	66.10%
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee and beneficiary of a trust	3,184,982,840 (Note 4)	66.10%
Li Ka-shing ("Mr Li")	(i) Founder of discretionary trusts and interest of controlled corporations	3,185,136,120) (Note 5))	
	(ii) Interest of controlled corporations	403,979,499) (Note 6))	74.49%
Mayspin Management Limited ("Mayspin")	Interest of controlled corporations	403,979,499 (Note 7)	8.38%
Yuda Limited ("Yuda")	Beneficial owner	350,527,953 (Note 8)	7.27%

Notes:

- HTIHL is a direct wholly-owned subsidiary of HTGHL, which in turn is a direct wholly-owned subsidiary of OHL, which in turn is a direct wholly-owned subsidiary of HIL, which in turn is a direct wholly-owned subsidiary of HWL. By virtue of the SFO, HWL, HIL, OHL and HTGHL were deemed to be interested in the 2,619,929,104 ordinary shares of the Company which HTIHL had direct interest and the 512,961,149 ordinary shares of the Company held by Hutchison Telecommunications Holdings Limited, a wholly-owned subsidiary of HTIHL.*
- Certain subsidiary companies of CKH together hold one-third or more of the issued share capital of HWL. By virtue of the above, CKH was therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested as a substantial shareholder of the Company under the SFO. CKH was also interested in the share capital of the Company through certain wholly-owned subsidiary companies of CKH.*
- TUT1, as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("related companies"), hold more than one-third of the issued share capital of CKH. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares in CKH, TUT1 as trustee of UT1 was therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.*
- Each of TDT1 as trustee of a discretionary trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2") holds units in UT1. By virtue of the above and its interest of holding units in UT1, each of TDT1 as trustee of DT1 and TDT2 as trustee of DT2 was taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.*
- Mr Li is the settlor of each of DT1, DT2 and two discretionary trusts ("DT3" and "DT4") and may be regarded as a founder of each of DT1, DT2, DT3 and DT4 for the purpose of the SFO. Mr Li is also interested in one-third of the entire issued share capital of two companies owning the entire issued share capital of TUT1, TDT1, TDT2. Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3"), Li Ka-Shing Castle Trustee Corporation Limited as trustee of DT3 and Li Ka-Shing Castle Trustcorp Limited as trustee of DT4 where appropriate. By virtue of the above and as a director of CKH, Mr Li was taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested and held by TUT3 as trustee of UT3 (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.*
- Such ordinary shares were held by companies of which Mr Li is interested in the entire issued share capital.*
- Mayspin is a company wholly-controlled by Mr Li. Such interest is duplicated in that of Mr Li held by the companies described in Note 6 above.*
- Yuda is a direct wholly-owned subsidiary of Mayspin, which in turn is a company wholly-controlled by Mr Li. Such interest is duplicated in that of Mr Li held by one of the companies described in Note 6 above.*

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

Directors' Interests in Competing Business

During the year ended 31 December 2011, the following Directors of the Company had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the same year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

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

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

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

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

The Company entered into a non-competition agreement with each of HWL and HTIL on 17 April 2009, whereby the parties thereto agreed, inter alia, to clearly delineate the respective geographical markets and businesses of each of the HWL Group, the HTIL Group and the Group within their respective territories for the purpose of implementing the non-competition restrictions. The exclusive territory of the Group comprised Hong Kong and Macau. The exclusive territory of the HWL Group (which in substance including those of the HTIL Group following the privatisation of HTIL in 2010) comprised all the remaining countries of the world (other than in Italy, specifically, in respect of the PLDT MVNO Arrangement^(Note)).

Save as disclosed above, as at the date of this report, none of the Directors or their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme"), conditionally approved and adopted by a resolution of the then sole shareholder of the Company passed on 6 April 2009, was approved at the extraordinary general meeting of HWL on 21 May 2009.

The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group and/or to establish a stronger business relationship between the Group and such participants.

The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up share options to subscribe for shares of HK\$0.25 each in the share capital of the Company:

- (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any Executive Director but excluding any Non-executive Director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest (the "Invested Entity");
- (b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

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

Report of the Directors

- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- (h) any company wholly owned by any one or more persons belonging to any of the above classes of participants.

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

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

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

- (a) The maximum number of shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time.
- (b) The total number of shares of the Company which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue, being 4,814,346,208 ordinary shares, as at the Listing Date (the "General Scheme Limit"). Based on the number of shares in issue of the Company on the Listing Date, the General Scheme Limit of the Share Option Scheme is 481,434,620 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 477,774,620, representing 9.92% of the existing issued share capital of the Company.
- (c) Subject to sub-paragraph (a) above and without prejudice to sub-paragraph (d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group previously granted under the Share Option Scheme and any other share option scheme of the Group) will not be counted.

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

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

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

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

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

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

The following share options were granted and remain outstanding under the Share Option Scheme during the year ended 31 December 2011:

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

Notes:

1. The share options were vested according to a schedule, namely, as to as close to one-third of the shares of the Company which are subject to the share options as possible on each of 1 June 2009, 23 November 2009 and 23 November 2010, and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the Share Option Scheme) on such vesting date.
2. The exercise price of the share options is subject to adjustment in accordance with the provisions of the Share Option Scheme.
3. The stated price was the closing price of the shares of the Company on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.
4. The stated price was the weighted average closing price of the shares of the Company immediately before the date(s) on which the share options were exercised.

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

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

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

Pre-emptive Rights

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

Purchase, Sale or Redemption of Shares

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

Major Customers and Suppliers

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

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

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

As at 31 December 2011:

- (a) Mrs Chow Woo Mo Fong, Susan, a Non-executive Director of the Company, held 46,762 shares in PCCW Limited, one of the five largest major suppliers of the Company;
- (b) Mr Lan Hong Tsung, David, an Independent Non-executive Director of the Company, held 500,000 shares in PCCW Limited; and
- (c) HWL, a substantial shareholder of the Company, indirectly held 36,726,857 shares in PCCW Limited.

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

Public Float

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

Report of the Directors

Auditor

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

By Order of the Board

Edith SHIH

Company Secretary

Hong Kong, 20 March 2012