Notes to the Consolidated Financial Statements

1 General Information

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

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

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

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

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 December 2011, the current liabilities of the Group exceeded its current assets by approximately HK$6,210 million. Included in the current liabilities were non-refundable customer prepayments of HK$969 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services, and a revolving and term loan of HK$3,853 million, which will expire on 3 December 2012. The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the refinancing of the revolving and term credit facility. Subsequent to year end, the Group has obtained a short-term bridge loan facility of HK$500 million and has received various refinancing offers from a number of financial institutions and is in the process of considering and evaluating these offers in the best interests of its shareholders. Management expects to complete the refinancing arrangement before the expiry of the existing revolving and term loan facility. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (Continued)

(d) Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed (Note 2(j)). If this consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Company's financial statements

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration arrangements. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(e) Non-controlling interests

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

2 Summary of Significant Accounting Policies (Continued)

(f) Jointly controlled entities

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

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

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

2 Summary of Significant Accounting Policies (Continued)

(h) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

- all resulting exchange differences are recognised in other comprehensive income (cumulative translation adjustments).

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

(i) Property, plant and equipment

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

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating expenses" in the consolidated income statement.

2 Summary of Significant Accounting Policies (Continued)

(j) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions of subsidiaries is reported in the consolidated statement of financial position as a separate asset. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The Group allocates goodwill to each of its business segments.

(k) Other intangible assets

(i) Telecommunications licences

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

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

(ii) Patent

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

(l) Impairment of non-financial assets

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

2 Summary of Significant Accounting Policies (Continued)

(m) Financial assets

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

(i) Loans and receivables

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

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(ii) Impairment of financial assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. Financial assets are impaired and impairment losses are incurred only if there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. A provision for doubtful debts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. The amount of provision is determined based on historical data of payment statistics for aged receivable balances. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the consolidated income statement. Changes in the carrying amount of the provision account are recognised in the consolidated income statement.

(n) Cash and cash equivalents

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

2 Summary of Significant Accounting Policies (Continued)

(o) Inventories

Inventories consist of handsets and phone accessories and are valued using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts (Note 2(m)(ii)).

(q) Trade and other payables

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

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method except for borrowing costs capitalised for qualifying assets (Note 2(i)).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of Significant Accounting Policies (Continued)

(t) Taxation and deferred taxation

Taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences (including tax losses) can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements unless the probability of outflow of resources embodying economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

2 Summary of Significant Accounting Policies (Continued)

(w) Employee benefits

(i) Pension plans

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

(a) Defined benefit plans

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

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

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

(b) Defined contribution plans

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

(ii) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

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

2 Summary of Significant Accounting Policies (Continued)

(w) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably committed itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(x) Revenue recognition

The Group recognises revenue on the following bases:

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

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

(iii) For bundled transactions under contract comprising of provision of mobile telecommunications services and sale of a handset device, the amount of revenue recognised upon the sale of the handset device is accrued as determined by considering the estimated fair values of each of the services element and handset device element of the contract.

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

(y) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3 Financial Risk Management

(a) Financial risk factors

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

(i) Foreign currency exposure

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

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

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

As at 31 December, a 10% strengthening/weakening of the currencies of the above assets and liabilities against HK$ would have increased/decreased post-tax profit for the year by the amounts as shown below. This analysis assumes that all other variables remain constant.

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

There is no foreign currency transaction risk that would affect equity directly. The 10% movement represents management's assessment of a reasonably possible change in foreign exchange rates over the period until the next annual reporting period.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate exposure

The Group's main interest risk exposures relate to its borrowings and investments of surplus funds placed with banks as deposits. The Group manages its interest rate exposure of borrowings with a focus on reducing the overall cost of debt and interest rate exposure of investments of surplus funds by placing such balances with various maturities and interest rate terms.

As at 31 December, the carrying amount of the Group's financial assets and liabilities where their cash flows are subject to interest rate exposure are as follows:

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

The interest rate profile of the Group's borrowings is disclosed in Note 24. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December, if interest rates had been 100 basis points higher, with all other variables held constant, post-tax profit for 2011 and 2010 would have decreased by approximately HK$28 million and HK$26 million, respectively, mainly as a result of higher interest expenses on floating rate borrowings, interest income from cash at banks and bank deposits and interest bearing balances with jointly controlled entities; there would have no direct impact on equity as the Group did not have financial instruments qualified for hedge accounting whereby all movement of interest expense and income as a result of interest rates changes would be charged to the consolidated income statement.

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

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

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

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

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

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

	Carrying amount HK$ millions	Contractual liabilities HK$ millions	Non-contractual liabilities HK$ millions	Contractual undiscounted cash flow HK$ millions	Within 1 year HK$ millions	After 1 year but within 2 years HK$ millions	After 2 years but within 5 years HK$ millions	After 5 years HK$ millions
As at 31 December 2011								
Borrowings (Note 24)	3,853	3,853	-	3,860	3,860	-	-	-
Trade payables (Note 26)	462	462	-	462	462	-	-	-
Other payables, accruals and deferred revenue (Note 26)	3,995	822	3,173	822	822	-	-	-
Licence fees liabilities (Notes 25 and 26)	919	919	-	1,208	169	179	596	264
	9,229	6,056	3,173	6,352	5,313	179	596	264

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

3 Financial Risk Management (Continued)

(b) Capital risk management

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

The Group defines capital as total equity attributable to shareholders of the Company, comprising issued share capital and reserves, as shown in the consolidated statement of financial position. The Group actively and regularly reviews and manages its capital structure to ensure capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

(c) Fair value estimation

The carrying amounts of cash and cash equivalents, and trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

Significant estimates and assumptions concerning the future may be required in selecting and applying accounting methods and policies in these financial statements. The Group bases its estimates and assumptions on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates or assumptions. The following is a review of the more significant estimates and assumptions used in the preparation of these financial statements.

(i) Estimated useful life for telecommunications infrastructure and network equipment

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2011, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$8,737 million (2010: HK$8,580 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

4 Critical Accounting Estimates and Judgements (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(ii) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Asset impairment

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

(iv) Allocation of revenue for bundled transactions with customers

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

4 Critical Accounting Estimates and Judgements (Continued)

(b) Critical judgements in applying the Group's accounting policies

Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carryforwards. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2011, the Group has recognised deferred tax assets of approximately HK$368 million (2010: HK$368 million).

5 Turnover

Turnover comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of turnover is as follows:

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

6 Segment Information

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

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

6 Segment Information (Continued)

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

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

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

7 Staff Costs

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

7 Staff Costs (Continued)

(a) Directors' emoluments

Directors' emoluments comprise payments to directors from the Company and its subsidiaries. The emoluments of each of the directors of the Company exclude amounts received from a subsidiary of the Company and paid to a subsidiary or an intermediate holding company of the Company. The amounts paid to each director for both 2011 and 2010 are as follows:

	2011				
Name of directors	Director's fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Total HK$ millions
Fok Kin Ning, Canning (Note)	0.09	-	-	-	0.09
Lui Dennis Pok Man	0.07	-	-	-	0.07
Wong King Fai, Peter (Note)	0.07	3.52	9.50	0.25	13.34
Chow Woo Mo Fong, Susan (Note)	0.07	-	-	-	0.07
Frank John Sixt (Note)	0.07	-	-	-	0.07
Lai Kai Ming, Dominic	0.07	-	-	-	0.07
Cheong Ying Chew, Henry	0.16	-	-	-	0.16
Lan Hong Tsung, David	0.16	-	-	-	0.16
Wong Yick Ming, Rosanna	0.14	-	-	-	0.14
	0.90	3.52	9.50	0.25	14.17

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

Note: Directors' fees received by these directors from a subsidiary of the Company during the period they served as directors that have been paid to a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

7 Staff Costs (Continued)

(a) Directors' emoluments (Continued)

No emoluments were paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2011 (2010: Nil).

(b) Five highest paid individuals

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

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

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

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

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

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

No emoluments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2011 (2010: Nil).

8 Other Operating Expenses

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

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

9 Interest and Other Finance Costs, Net

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

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

10 Taxation

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

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The differences between the Group's expected tax charge at respective applicable tax rates and the Group's tax charge for the year are as follows:

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

11 Earnings Per Share

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

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

12 Dividends

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

13 Property, Plant and Equipment

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

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
As at 1 January 2011	67	16,936	2,890	717	20,610
Additions	86	622	145	295	1,148
Disposals	-	(272)	(35)	-	(307)
Transfer between categories	-	469	31	(500)	-
As at 31 December 2011	153	17,755	3,031	512	21,451
Accumulated depreciation and impairment losses					
As at 1 January 2011	22	8,356	2,622	-	11,000
Charge for the year	3	845	130	-	978
Disposals	-	(183)	(34)	-	(217)
As at 31 December 2011	25	9,018	2,718	-	11,761
Net book value					
As at 31 December 2011	128	8,737	313	512	9,690

13 Property, Plant and Equipment (Continued)

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

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

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

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

14 Goodwill

	2011 HK$ millions	2010 HK$ millions
Gross carrying amount and net book value at beginning and end of year	**4,503**	4,503
Accumulated impairment losses at beginning and end of year	**-**	–

14 Goodwill (Continued)

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

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

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

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

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

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

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

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

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

In accordance with the Group's accounting policy on asset impairment (Note 2(l)), the carrying values of goodwill were tested for impairment at each reporting date. Note 4(a)(iii) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2011 indicated no impairment charge was necessary (2010: Same).

15 Other Intangible Assets

	Telecom-munications licences HK$ millions	Patent HK$ millions	Total HK$ millions
As at 1 January 2010			
Cost	616	12	628
Accumulated amortisation	(288)	(4)	(292)
Net book value	328	8	336
Year ended 31 December 2010			
Opening net book value	328	8	336
Amortisation for the year	(48)	(8)	(56)
Closing net book value	280	-	280
As at 31 December 2010			
Cost	616	12	628
Accumulated amortisation	(336)	(12)	(348)
Net book value	280	-	280
Year ended 31 December 2011			
Opening net book value	**280**	**-**	**280**
Additions	**1,532**	**-**	**1,532**
Amortisation for the year	**(94)**	**-**	**(94)**
Closing net book value	**1,718**	**-**	**1,718**
As at 31 December 2011			
Cost	**2,148**	**12**	**2,160**
Accumulated amortisation	**(430)**	**(12)**	**(442)**
Net book value	**1,718**	**-**	**1,718**

As a result of the acquisition of new radio spectrum and a change in estimate resulting from an extended usage of radio spectrum, the intangible assets of telecommunications licences increased by HK$1,080 million and HK$452 million respectively and the related licence fees liabilities increased by HK$452 million during the year ended 31 December 2011.

Additions of telecommunications licences included interest of HK$3 million (2010: Nil) capitalised at a rate of 1.4% per annum (2010: Nil).

16 Other Non-current Assets

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

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

17 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

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

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

	Accelerated depreciation allowance HK$ millions	Tax losses HK$ millions	Total HK$ millions
As at 1 January 2010	(956)	1,190	234
Net charge for the year (Note 10)	(11)	(45)	(56)
As at 31 December 2010	(967)	1,145	178
As at 1 January 2011	**(967)**	**1,145**	**178**
Net charge for the year (Note 10)	**(8)**	**(33)**	**(41)**
As at 31 December 2011	**(975)**	**1,112**	**137**

17 Deferred Tax Assets and Liabilities (Continued)

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

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

The utilisation of unused tax losses depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

As at 31 December 2011, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$2,460 million can be carried forward indefinitely (2010: HK$3,444 million and HK$1 million can be carried forward indefinitely and within six years, respectively).

18 Investments in Jointly Controlled Entities

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

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

Particulars of the principal jointly controlled entities are summarised as follows:

Name	Place of incorporation	Principal activities	Interest held
Genius Brand Limited	Hong Kong	Telecommunications business in Hong Kong	50%
HGC GlobalCentre Limited	Hong Kong	Data centre services in Hong Kong	50%

18 Investments in Jointly Controlled Entities (Continued)

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

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

As at 31 December 2011, there are no contingent liabilities related to the Group's interests in the jointly controlled entities and no contingent liabilities of the jointly controlled entities themselves (2010: Nil).

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

19 Cash and Cash Equivalents

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

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

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

20 Trade Receivables and Other Current Assets

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

(a) Trade receivables, net of provision

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

The carrying values of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

As at 31 December 2011, trade receivables of approximately HK$760 million (2010: HK$658 million) were past due but not provided for. These related to a number of independent customers that have a good track record with the Group. The ageing analysis of these trade receivables is as follows:

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

20 Trade Receivables and Other Current Assets (Continued)

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

As at 31 December 2011, provision for doubtful debts of approximately HK$189 million (2010: HK$197 million) was recognised for trade receivables of approximately HK$706 million (2010: HK$662 million) which were individually assessed for impairment. These impaired receivables were past due and management assessed that only a portion of the receivables was expected to be recovered. The Group does not hold any collateral over these balances.

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

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

The creation and release of provision for doubtful debts have been included in "Other operating expenses" in the consolidated income statement (Note 8). Amount charged to the provision account is generally written off when the recoverability is remote.

(b) Other receivables, prepayments and deposits

The carrying values of other receivables approximate their fair values. Other receivables, prepayments and deposits do not contain impaired assets. The maximum exposure to credit risk is the fair value of each class of financial assets mentioned above. The Group does not hold any collateral as security.

Other receivables included an amount of HK$7 million (2010: Nil) due from a jointly controlled entity which was unsecured, repayable on demand and interest-bearing at HIBOR plus 3% per annum.

21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2011, the amount of inventories carried at net realisable value was approximately HK$4 million (2010: HK$2 million).

22 Share Capital

(a) Authorised share capital of the Company

The authorised share capital of the Company comprises 10 billion shares of HK$0.25 each (2010: Same).

22 Share Capital (Continued)

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each	
	Number of shares	Issued and fully paid HK$ millions
As at 1 January 2010	4,814,346,208	1,204
Issuance of shares arising from exercise of employee share options (Note 22(c))	1,410,000	–
As at 31 December 2010	4,815,756,208	1,204
As at 1 January 2011	**4,815,756,208**	**1,204**
Issuance of shares arising from exercise of employee share options (Note 22(c))	**2,250,000**	**1**
As at 31 December 2011	**4,818,006,208**	**1,205**

(c) Share options of the Company

The Company's share option scheme was approved on 21 May 2009. The Board of Directors may, under the share option scheme, grant share options to directors, non-executive directors or employees of the Group.

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

	Weighted average exercise price per share HK$	Number of share options granted
As at 1 January 2010	1	4,750,000
Exercised	1	(1,410,000)
As at 31 December 2010	1	3,340,000
As at 1 January 2011	**1**	**3,340,000**
Exercised	**1**	**(2,250,000)**
As at 31 December 2011	**1**	**1,090,000**

22 Share Capital (Continued)

(c) Share options of the Company (Continued)

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). The fair value of share options determined using the Black-Scholes model was approximately HK$0.27 each. The significant inputs into the model were an expected volatility of 49%, an expected dividend yield of 5.9%, an expected option life up to 6 years and an annual risk-free interest rate of 1.65%. Share options exercised in 2011 resulted in 2,250,000 (2010: 1,410,000) ordinary shares of HK$0.25 each being issued at a weighted average exercise price of HK$1 each. The related weighted average share price at the date of exercise was HK$2.68 (2010: HK$2.13) per share.

As at 31 December 2011, 1,090,000 (2010: 3,340,000) share options were exercisable.

23 Reserves

Group

	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions
As at 1 January 2010	11,181	(2,470)	1	(41)	1	17	8,689
Profit for the year	-	755	-	-	-	-	755
Actuarial gains of defined benefit plans	-	-	-	14	-	-	14
Dividend paid (Note 12)	-	(457)	-	-	-	-	(457)
Employee share option scheme							
- proceeds from shares issued	1	-	-	-	-	-	1
As at 31 December 2010	11,182	(2,172)	1	(27)	1	17	9,002
As at 1 January 2011	11,182	(2,172)	1	(27)	1	17	9,002
Profit for the year	-	1,020	-	-	-	-	1,020
Actuarial losses of defined benefit plans	-	-	-	(65)	-	-	(65)
Currency translation differences	-	-	(1)	-	-	-	(1)
Dividend paid (Note 12)	-	(578)	-	-	-	-	(578)
Employee share option scheme							
- proceeds from shares issued	2	-	-	-	(1)	-	1
As at 31 December 2011	11,184	(1,730)	-	(92)	-	17	9,379

23 Reserves (Continued)

Company

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

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

24 Borrowings

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

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

The Group's borrowings are denominated in HK$.

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

25 Other Non-current Liabilities

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

(a) Licence fees liabilities

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

26 Trade and Other Payables

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

26 Trade and Other Payables (Continued)

(a) Trade payables

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

27 Cash Generated from Operations

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

28 Contingent Liabilities

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

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

29 Commitments

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

(a) Capital commitments

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

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

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

(b) Operating lease commitments

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

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

29 Commitments (Continued)

(b) Operating lease commitments (Continued)

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

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

(c) Telecommunications licence fees

A subsidiary of the Company has a unified carrier licence for provision of telecommunications services in Hong Kong over various periods of time up to year 2021 (the "Licence") and variable licence fees are payable based on 5% of the network turnover or the Appropriate Fee (as defined in the Licence) in respect of the relevant year whichever is greater. The net present value of the Appropriate Fees has already been recorded as licence fee liabilities.

30 Employee Retirement Benefits

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

(a) Defined benefit plans

The Group's defined benefit plans represent principally contributory final salary pension plans in Hong Kong. As at 31 December 2011, the Group's plans were valued by the independent qualified actuaries using the projected unit credit method to account for the Group's pension accounting costs (2010: Same).

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

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

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

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

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

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

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

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

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

Forfeited contributions totalling HK$3 million (2010: HK$2 million) were used to reduce the current year's level of contributions during the year and HK$0.1 million was available as at 31 December 2011 (2010: HK$0.1 million) to reduce future years' contributions.

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

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

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

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

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

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 July 2011 reported a funding level of 118% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2011, the plan was fully funded for the funding of vested benefits in accordance with the ORSO funding requirements.

30 Employee Retirement Benefits (Continued)

(b) Defined contribution plans

Employees of certain subsidiaries are entitled to receive benefits from a provident fund, which is a defined contribution plan. The employee and the employer both make monthly contributions to the plan at a predetermined rate of the employees' basic salary. The Group has no further obligations under the plan beyond its monthly contributions. The fund is administered and managed by the relevant government agencies. Forfeited contributions totalling HK$0.3 million (2010: HK$0.2 million) were used to reduce the current year's level of contributions during the year and HK$0.1 million was available as at 31 December 2011 (2010: Nil) to reduce future years' contributions.

31 Investments in Subsidiaries

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

Particulars of principal subsidiaries are set out on pages 122 to 123.

32 Ultimate Holding Company

As at 31 December 2011, the Company was owned as to approximately 65% by Hutchison Whampoa Limited ("HWL"). The directors regarded HWL as the Company's ultimate holding company.

33 Related Party Transactions

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

Related Party Group:

(1) HWL Group – HWL together with its group companies, excluding Hutchison Telecommunications International Limited ("HTIL") Group

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

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

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

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

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

33 Related Party Transactions (Continued)

(a) Key management personnel remuneration

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

(b) Transactions with related parties

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

33 Related Party Transactions (Continued)

(b) Transactions with related parties (Continued)

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

(c) Balances with subsidiaries

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

34 Subsequent Event

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