Hutchison Telecom
Hong Kong Holdings

# More to come for a better future

## 2014 Annual Report

Hutchison Telecommunications Hong Kong Holdings Limited
和記電訊香港控股有限公司
*(Incorporated in the Cayman Islands with limited liability)*
(Stock Code : 215)

A Hutchison Whampoa Company

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Chairman and Non-executive Director

FOK Kin Ning, Canning, BA, DFM, CA (Aus)
*(also Alternate to CHOW WOO Mo Fong, Susan)*

### Deputy Chairman and Non-executive Director

LUI Dennis Pok Man, BSc

### Executive Director

WONG King Fai, Peter, MSc, FHKIE
*Chief Executive Officer & Group Managing Director*

### Non-executive Directors

CHOW WOO Mo Fong, Susan, BSc

Frank John SIXT, MA, LLL

LAI Kai Ming, Dominic, BSc, MBA
*(also Alternate to Frank John SIXT)*

MA Lai Chee, Gerald, BCom, MA
*(Alternate to LAI Kai Ming, Dominic)*

### Independent Non-executive Directors

CHEONG Ying Chew, Henry, BSc, MSc
*(also Alternate to WONG Yick Ming, Rosanna)*

LAN Hong Tsung, David, GBS, ISO, JP

WONG Yick Ming, Rosanna, PhD, DBE, JP

## AUDIT COMMITTEE

CHEONG Ying Chew, Henry *(Chairman)*

LAN Hong Tsung, David

WONG Yick Ming, Rosanna

## REMUNERATION COMMITTEE

LAN Hong Tsung, David *(Chairman)*

FOK Kin Ning, Canning

CHEONG Ying Chew, Henry

## COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

## AUDITOR

PricewaterhouseCoopers

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

# Highlights

| | For the year ended 31 December 2014 HK$ millions | For the year ended 31 December 2013 HK$ millions | 2014 vs 2013 Change | For the six months ended 31 December 2014 HK$ millions | For the six months ended 30 June 2014 HK$ millions | 2014 2H vs 2014 1H Change |
|---|---|---|---|---|---|---|
| Consolidated turnover | 16,296 | 12,777 | +28% | 10,069 | 6,227 | +62% |
| Consolidated EBITDA[(1)] | 2,679 | 2,674 | no change | 1,498 | 1,181 | +27% |
| Consolidated EBIT[(2)] | 1,358 | 1,339 | +1% | 831 | 527 | +58% |
| Profit before taxation | 1,168 | 1,167 | no change | 724 | 444 | +63% |
| Profit attributable to shareholders | 833 | 916 | -9% | 510 | 323 | +58% |
| Earnings per share (in HK cents) | 17.29 | 19.01 | -9% | 10.59 | 6.70 | +58% |
| Final dividend per share (in HK cents) | 8.70 | 8.00 | +9% | N/A | N/A | N/A |
| Full year dividend per share (in HK cents) | 12.95 | 14.25 | -9% | N/A | N/A | N/A |

In order to provide a better understanding of the Group's business development and performance after the deterioration of the Hong Kong mobile market in the second half of 2013, comparisons with both the results for the full year of 2013 and 2014 as well as for the first half and the second half of 2014 have been included in this annual report.

## Comparison between 2013 and 2014

- Consolidated turnover increased by 28% to HK$16,296 million as a result of 35% increase in mobile turnover and 6% increase in fixed-line service revenue.
- Consolidated EBITDA and profit before taxation were comparable to those in 2013, despite a sluggish mobile performance in the first half of 2014.
- Profit attributable to shareholders was HK$833 million in 2014, a decrease of 9% compared to HK$916 million in 2013.
- Final dividend per share is 8.70 HK cents.

## Comparison between first half and second half of 2014

- Consolidated turnover increased by 62%, as a result of 85% increase in mobile turnover and 4% increase in fixed-line service revenue.
- Profit attributable to shareholders increased by 58%.

*Notes:*

*(1) EBITDA is defined as earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.*

*(2) EBIT is defined as earnings before interest income, interest and other finance costs, taxation and share of results of joint ventures.*

# Corporate Profile

As an integrated telecommunications solution provider, we develop innovative products and services to attract new customers. At the same time, we equip existing customers with reliable services, leveraging our state-of-the-art network, to meet their evolving needs.

Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 215) (the "Company") is an established integrated telecommunications operator listed on the Main Board of The Stock Exchange of Hong Kong Limited. Year 2014 marked the 30th anniversary of operation since the mobile operation had been granted a mobile telecommunications licence in 1984. The Company and its subsidiaries (together the "Group") provide mobile services in Hong Kong and Macau under the **3** brand and fixed-line services for local and international customers under the HGC brand.

As a group member of Hutchison Whampoa Limited (stock code: 13), the Group deploys advanced telecommunications technology to offer world-class telecommunications services, setting market trends and steering industry development.

The Company is included in various Hang Seng indexes, including the Composite Index, Composite Industry Index – Telecommunications, Composite MidCap Index, Corporate Sustainability Benchmark Index, High Dividend Yield Index, Global Composite Index, Infrastructure Index and Broad Consumption Index.

## Hong Kong and Macau Mobile Business

Looking back over an impressive 30-year record, the Group was the first local operator to offer 3G mobility in 2004 and the Group launched 4G Long-Term-Evolution ("4G LTE") service in 2012. **3** Hong Kong now provides advanced voice, data and roaming services via 4G LTE, 3G and 2G networks in Hong Kong. Voice over LTE ("VoLTE"), a high-definition voice facility, was activated to enhance 4G LTE services in 2014. The enhanced networks now support more than 16,000 Wi-Fi hotspots, making the Group the largest-scale Wi-Fi service provider in Hong Kong.


Year 2014 marks 30 years of service to Hong Kong.

In Macau, the Group is one of the largest mobile telecommunications operators providing 3G and 2G mobile telecommunications services.

As a mobile telecommunications operator that ranks customer needs as top priority, the Group offers innovative products and services through collaborations with top-notch partners from different industries. This helps provide users with a unique and exciting experience.

## Fixed-line Business

Turning to the fixed-line operations, Hutchison Global Communications Limited ("HGC") has been up and running since 1995, providing a wide range of one-stop telecommunications solutions to telecommunications carriers, mobile operators and corporations of all sizes.

In the international market, HGC runs an advanced voice, data and Internet Protocol network with premium routings through submarine and terrestrial cables around the world. The Group specialises in the wholesale provision of international telecommunications and connectivity facilities. The Group also provides the corporate market with managed service and Information and Communications Technology ("ICT") solutions and for Over-The-Top ("OTT") players with turnkey Application and Content Providers ("ACP") solutions.

Local wholesale business provides most mobile telecommunications operators in Hong Kong with a backhaul service. Popularisation of 4G LTE service has boosted demand for leased-line connectivity through sophisticated fibre-network backbone from those Hong Kong mobile operators.

As a trusted ICT service advisor, the Group offers a variety of high-performance and reliable telecommunications services to enterprises and the public sector. The Group also provides large-scale companies and small-to-medium sized enterprises with world-class high-end solutions that combine telecommunications services, data centre, cloud computing and enterprise solutions into a flexible one-stop package. World-class data centre facilities are equipped with the latest technologies and accredited with ISO 27001 information security management and ISO 50001 energy management system certification.

Residential broadband service covers more than 1.7 million households in Hong Kong. The majority of these households can enjoy 100M to 1G high-speed broadband service.

# Awards

We are proud of the passion and innovation demonstrated by our people, as well as the large-scale recognition they attract in the form of a succession of awards.

## Corporate

Asia's Best Employer Brand Awards 2014 - Asia's Best Employer Brand
*Employer Branding Institute, World HRD Congress & Stars of the Industry Group*

10 Years+ Caring Company
*The Hong Kong Council of Social Service*

Hong Kong Awards for Environmental Excellence - Energywi$e Label : Class of Good
*Environmental Campaign Committee*

United Nations Millennium Development Goals - Green Office Awards Labelling Scheme (GOALS) :

- Better World Company Label
- Green Office Label

*World Green Organisation and Junior Chamber International Hong Kong*

Web Accessibility Recognition Scheme - Silver
*Office of the Government Chief Information Officer and the Equal Opportunities Commission*

Ranked 714th in 2014 Global Chinese Business 1,000
*Yazhou Zhoukan*

## Mobile

e-brand Awards - The Best of Mobile Broadband Service (PC Category)
*e-zone*

Hong Kong Computer Brand Awards - Mobile Broadband and Communications Service
*MetroInfo and The Chamber of Hong Kong Computer Industry*

Metro Creative Awards - The Best Creative Ad
*Metro Daily*

PROchoice Awards - Mobile Broadband Service Provider
*Capital Weekly*

## Fixed-line

Best Internet Service Provider Partner
*Global Internet Technology Conference*

Best SME Partners - International Telecom Service Provider
*Economic Digest*

Capacity Global Carrier Awards 2014 - Best Cloud Innovation
*Capacity Magazine*

Global Telecoms Business Innovation Awards - Business Service Innovation

- ibiz Cloud
- Application and Content Provider Solutions

*Global Telecoms Business magazine*

Hong Kong Awards for Industries - Equipment and Machinery Design Certificate of Merit : HGC Cloud Video Surveillance Solution
*The Chinese Manufacturers' Association of Hong Kong*

Hong Kong Computer Brand Awards - Residential Broadband Entertainment Service
*MetroInfo and The Chamber of Hong Kong Computer Industry*

iChoice Awards - Innovative Home Broadband Entertainment Package on the Internet
*Networld Technology Limited*

PR Awards - Best Tech PR Campaign - Bronze: 4K Home Broadband and Entertainment Content Service
*Marketing Magazine*

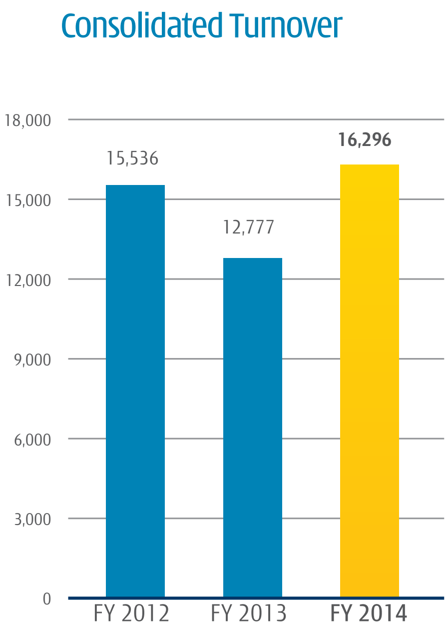
PROchoice Awards - Data Centre Operator
*Capital Weekly*

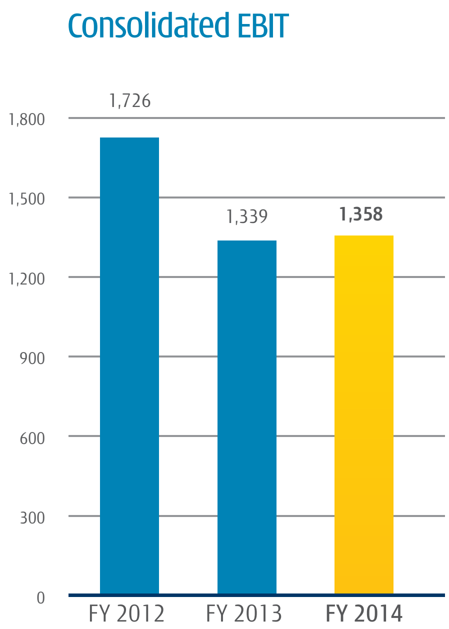
Stevie Awards - International Business Awards (Best New Product or Service of the Year - Telecommunications - Service) - Bronze: Application and Content Provider Solutions
*The Stevies*

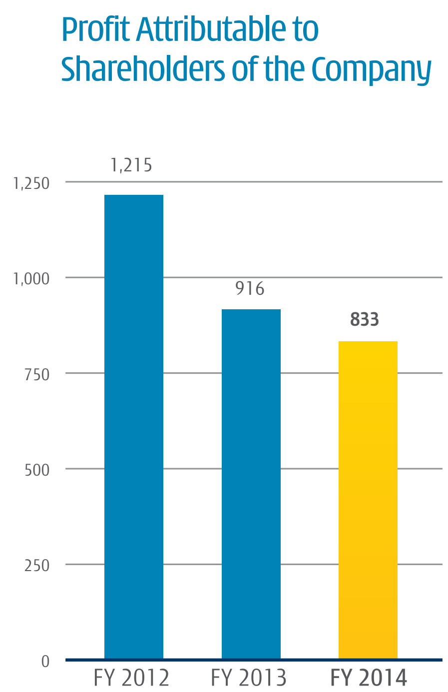
Worldwide Inter-Cloud Innovative Service Award
*Worldwide Inter-Cloud Association*

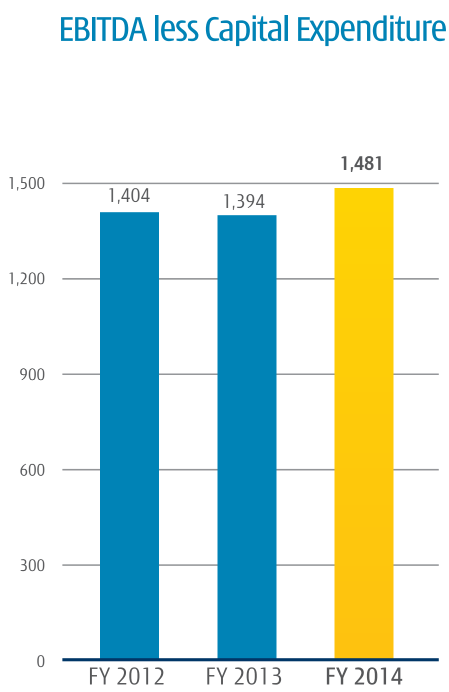
# Key Financial Information

(in HK$ millions)

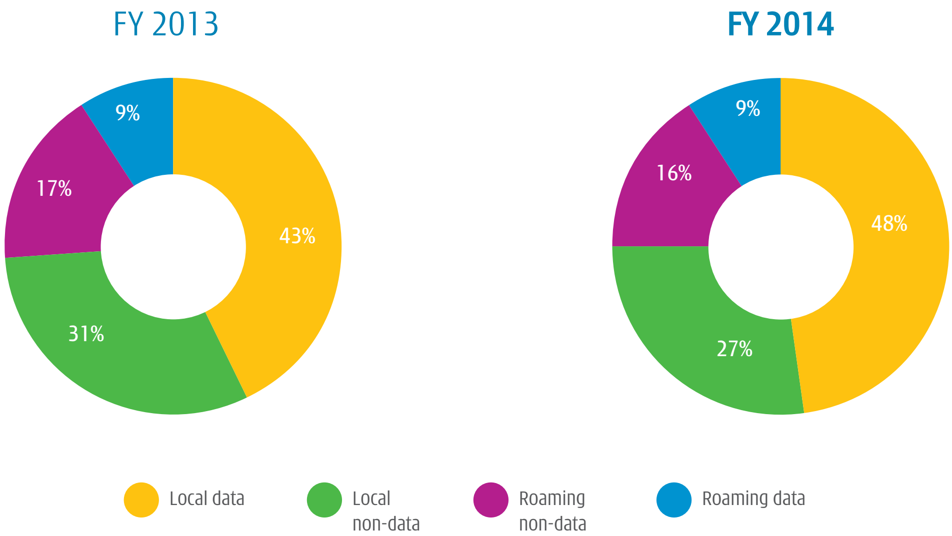


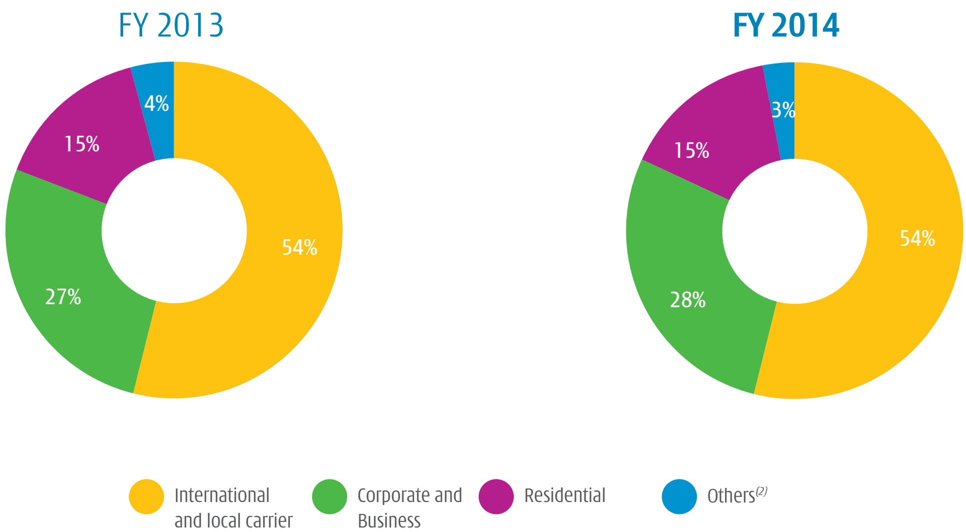



## Mobile Service Revenue [1] Mix by Segments




## Fixed-line Revenue Mix by Segments




*Notes:*

*(1) Mobile service revenue excludes revenue generated from hardware sales.*

*(2) Others include revenue from interconnection charges and data centres.*

# Chairman's Statement

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") recorded a rebound in overall performance by comparing the results for the first half and the second half of 2014 due to an increasing subscription of high speed data centric plans offered by mobile and fixed-line businesses.

## Results

The results in 2014 reflected a mixed integrated performance with signs of turnaround in the mobile business as a result of price recovery in the second half of 2014 and a continually growing fixed-line business.

Consolidated turnover increased by 28% to HK$16,296 million in 2014. Profit before taxation in 2014 was in line with that in 2013. Profit attributable to shareholders in 2014 amounted to HK$833 million, a decrease of 9% compared to HK$916 million in 2013.

Comparing the second half of 2014 against its first half, consolidated turnover increased by 62% while profit attributable to shareholders increased by 58% due to better business performance. In particular, mobile turnover increased with more popular handset models available in the second half of 2014 while a similar level of operating expenses was maintained due to continuous stringent cost control. Fixed-line business continued to report growth, especially in the international and local carrier markets, as well as the corporate and business markets.

Basic earnings per share in 2014 were 17.29 HK cents, compared to 19.01 HK cents in 2013.

## Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 8.70 HK cents (2013: 8.00 HK cents) per share for the year ended 31 December 2014. The proposed final dividend will be payable on Wednesday, 27 May 2015, following shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Friday, 15 May 2015, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 4.25 HK cents per share, full year dividend amounts to 12.95 HK cents per share. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company to enhance shareholders' value over the long-term.

## Business Review

### Mobile business – Hong Kong and Macau

Mobile business turnover in 2014 amounted to HK$12,632 million, an increase of 35% compared with HK$9,359 million in 2013. Mobile hardware revenue achieved an increase of 89% to HK$7,986 million in 2014 compared with that of 2013. Mobile service revenue in 2014 recorded a 10% decline to HK$4,646 million compared with HK$5,138 million in 2013 due to the increased churns of lower-ARPU[(1)] customers under a planned strategy to focus more on serving higher-ARPU data centric customers since the second half of 2013, partially offset by the positive effects brought about by the tariff price recovery after the launch of popular handsets in the second half of 2014. The positive effect of the tariff price recovery is expected to be more substantial in 2015.

EBITDA and EBIT in 2014 were HK$1,497 million and HK$877 million respectively, representing a decrease of 5% and 9% respectively compared to 2013. The decrease was mainly caused by additional expenses incurred after the launch of 4G Long-Term-Evolution ("4G LTE") network before reaching critical mass. With the improvement in efficiency and cost control, EBITDA margin[(2)] improved from 31% in 2013 to 32% in 2014.

*Notes:*

*(1) ARPU represents average revenue per user.*

*(2) EBITDA or EBIT margin % represents EBITDA or EBIT as a percentage of total service revenue (total revenue less hardware revenue).*

Comparing the second half of 2014 against its first half, hardware revenue increased substantially by 182% as a result of the launch of popular handsets in the second half of 2014. However, the mobile service revenue declined marginally by 2% as the positive effects brought about by the tariff price recovery in the second half of 2014 were not substantial enough to offset the sluggish performance in the first half of 2014. Despite the above, with improved mobile turnover and continued focus on efficiency and cost control, EBITDA and EBIT in the second half of 2014 increased by 44% and 85% respectively compared to its first half.

As at 31 December 2014, the Group was serving approximately 3.2 million mobile customers in Hong Kong and Macau (31 December 2013: 3.8 million). The decrease in both postpaid and prepaid customer number was mainly due to higher churns of lower-ARPU customers as mentioned above under a planned strategy to focus more on serving higher-ARPU data centric customers with the advanced 4G LTE infrastructure as well as the comprehensive Wi-Fi hotspots coverage.

To manage the increasing data demand from customers, the deployment of 4G LTE Advanced services and the construction of Time Division Duplexing network are in the infrastructure enhancement pipeline in 2015. With the well-developed infrastructure, the Group anticipates a considerable growth in 4G LTE customer number and improvement in overall ARPU.

### Fixed-line business

Fixed-line business recorded steady growth in 2014. Service revenue in 2014 grew by 6% to HK$4,102 million from HK$3,880 million in 2013. In particular, revenue generated from the international and local carrier markets as well as the corporate and business markets increased by 6% and 11% respectively compared to 2013. EBITDA and EBIT in 2014 were HK$1,307 million and HK$606 million respectively, representing an increase of 6% and 19% respectively against 2013 with EBITDA margin maintained at 32%. The increase in EBITDA and EBIT was mainly due to revenue growth together with continued focus on efficiency and cost management as well as lower depreciation and amortisation expenses.

Comparing the second half of 2014 against its first half, fixed-line revenue increased by 4% as a result of higher revenue generated from the international and local carrier markets as well as the corporate and business markets. EBITDA increased by 7% while EBIT increased by 14%. EBITDA margin improved from 31% in the first half of 2014 to 32% in the second half of 2014 as a result of continued focus on efficiency and  cost management.

The Group anticipates an increasing demand for sophisticated network solutions across all market segments. The evolvement as a next generation solution provider via innovative network and applications development will be the key growth driver in the future.

## Outlook

The Group is positive on the outlook in more rational mobile and fixed-line markets. The Group is committed to delivering growth in service revenue, maintaining cost discipline and reliable network service. As an integrated telecommunications operator, the Group benefits from financial contributions from both mobile and fixed-line businesses. The Group will further develop Fixed-Mobile Integrated services by optimising synergies between the mobile and fixed-line businesses, thereby enabling customers to take advantage of the full benefits of a new era of data connectivity. With the state-of-the-art network infrastructure and the gradually improved results of operation, the Group is expected to turnaround in the future to enhance the value of shareholders.

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

**FOK Kin Ning, Canning**
Chairman

Hong Kong, 16 February 2015

# More innovation
# More service excellence

# Operations Review: Mobile Business

3 is a well-established operator in Hong Kong and Macau, offering lifestyle-enhancing value-added services designed to generate even greater loyalty among data centric customers.


Three.com.hk

As a major mobile operator in Hong Kong and Macau, **3** is committed to equipping customers with the benefits of innovation through the latest technologies, advanced networks and lifestyle-enhancing services.

As of 31 December 2014, **3** was serving approximately 3.2 million customers in Hong Kong and Macau, of which approximately 1.6 million were using 3G or 4G Long Term Evolution ("4G LTE") postpaid network services. This represented 98% of the total postpaid customer base. Smart device users at that time amounted to more than 65% of our 3G and 4G LTE postpaid customers in Hong Kong and Macau, following a strategic focus on data centric users.

## Better at 3

The **3** brand is committed to providing convenient, caring and comprehensive customer service. A campaign beginning in December 2014 explored new initiatives to interact more effectively with customers. This involved a revamp of our retail and online presence to portray a customer-centric image and provide a one-stop service supported by dedicated **3** specialists.

**3** is introducing fresh caring values through introduction of new in-store product experience zone and customer service applications that facilitate timely feedback and advice including bill inquiries assistance and data transfer service.

Soaring smartphone and tablet popularity inspired launch of the **3** workshops. This enables customers to expand their understanding of the array of devices and applications on offer by engaging with **3** specialists.

## Innovative Services and Products

Our focus on delivering value-added services has led to co-operation with various content providers, enabling customers to reap the full benefits of data connectivity. In April 2014, for example, **3** launched the DayDayCook application premium plan to help customers prepare nutritious meals.


**3** new in-store product experience zone facilitates one-stop shopping.


A revamped **3**Shop portrays a customer-centric image.



1 The "Better at **3**" campaign illustrates ongoing mobile service improvements.
2 iPhone sales galas take place all over Hong Kong.
3 Caring customer service means "Love to smile. Love to help".


**3** becomes Asia's first operator to launch a Finnish smartphone that runs on a breakaway operating system.

In July 2014, **3** partnered with NTT DoCoMo to release a Japanese Translator application that opens up a vast cloud-based vocabulary and sentence database to assist travellers every step of the way while in Japan.

In October 2014, **3** Super Cloud was launched as a multi-platform cloud storage service powered by Bitcasa, a leader in secured cloud storage solutions for mobile users.

**3** works closely with the world's best-known device manufacturers to ensure customers get the best from the latest and hottest products.

## Full Range of Data and Roaming Packages

A significant development during the year was creation of a local data tier-pricing scheme with top-up capability to accommodate a diversity of data needs among customers. After being alerted when a maximum entitlement limit is reached, users can take control and eliminate unexpected bill shocks by topping up capacity on a discretionary basis. Yet more latitude for customer choice has been provided by introduction of a variety of SIM plan contract durations from one to 24 months.

Customers can now enjoy data roaming at blazing speeds, thanks to a new 4G LTE roaming service. 4G LTE coverage is now available in many European and Asian countries. Such coverage will continue expanding in order to enrich the roaming experience further afield.

Launch of 4G Data Prepaid SIM cards opened a new chapter in the **3** prepaid story, in terms of fixed entitlement and validity.

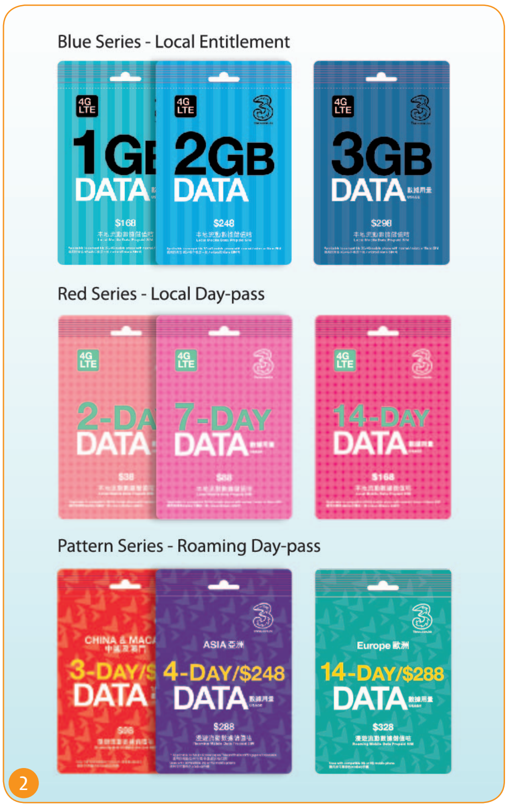

**3** Super Cloud launches as a multi-platform cloud storage service.

This meets the needs of local high-speed data users, as well as in-and-outbound travellers. Highlights include ease of use and daily packages tailored to usage habits.

Our extensive coverage now includes 546 roaming partners at 305 locations around the world. In addition, Data Roaming Daily Pass coverage was extended in 2014, providing customers with user-friendly data roaming throughout 149 locations via 199 networks.

Year 2014 saw **3** become the first operator in Hong Kong to provide one unlimited data roaming fee across European destinations per day. Called Euro Zone, this unprecedented pricing model makes one daily charge for customers visiting multiple designated European destinations on the same day. Euro Zone launch demonstrated **3**'s determination to enhance the customer experience and offer a competitive tariff for those travelling overseas.

**3** also joined the Conexus Mobile Alliance machine-to-machine ("M2M") task force to progress integration of M2M solutions, with a view to streamlining the process for corporate customers. The aim is to bring about consistent performance, increased productivity and greater competitive advantage across key markets in Asia Pacific.


1 Customers enjoy blazing speeds, thanks to 4G LTE roaming service.
2 4G Data Prepaid SIM cards open a new chapter in the **3** prepaid story.

## Ongoing Network Enhancement

**3** continued to enhance its 4G LTE network throughout 2014 to improve network performance and reliability of service.

Implementation of an IP Multimedia Subsystem platform enabled **3** to become one of the few telecommunications operators able to offer a high-definition voice service. This followed launch of a Voice over LTE ("VoLTE") network to facilitate a much smoother and stable voice-calling experience.

The Communications Authority ("CA") of Hong Kong has decided to adopt a hybrid option in the re-assignment of spectrum in the 1.9-2.2GHz band. In December 2014, 9.8MHz spectrum was acquired by the Group via a re-auction process. When taken together with a total of 19.8MHz spectrum obtained by exercising a right of first refusal offered by CA of Hong Kong, the Group now commands a total of 29.6MHz spectrum in the 1.9-2.2GHz band for the provision of mobile telecommunications services in Hong Kong for 15 years from 2016. Our pursuit of network excellence has resulted in higher levels of speed, reliability and customer satisfaction, as well as an increase in 4G LTE subscriptions.


Ongoing 4G LTE network improvements give network performance a boost.

In 2014, the Group expanded outdoor Wi-Fi coverage to cope with ever-rising levels of traffic on the mobile network, thereby enhancing the overall customer experience. Our outdoor Wi-Fi hotspots have now exceeded 16,000 making us the largest-scale Wi-Fi service provider in Hong Kong.

## Macau

During the year under review, growth in **3** Macau continued to be driven by inbound roaming and data services, with increasingly more customers upgrading to smartphones and data centric plans. **3** Macau also launched travel prepaid card packages offering varying levels of data, voice and roaming entitlements to suit the differing needs of travellers.

Efforts were also channelled into improving the user experience to keep up to speed with the ever-increasing demand for services. In addition, **3** Macau devoted resources to enhancing capacity and indoor network reception. This involved full deployment of a U900 network such that users are able to enjoy a more seamless network experience.

## Outlook

**3** is in the process of redefining its role in the market to focus on the user experience, with the aim of generating even greater loyalty among data centric customers. This will involve a full range of improved services tailored to achieving enjoyment, convenience and satisfaction.

The Group is now well-positioned to develop Fixed-Mobile Integrated services by optimising synergies between mobile and fixed-line businesses. This will enable customers to benefit from the full potential held by a new era of data connectivity.

The overarching objective involves a combination of continuous network improvement and ongoing deployment of the latest technologies to exceed the expectations of an increasingly-sophisticated customer base. Meanwhile, accelerating uptake of 4G LTE connectivity and high data consumption have prompted us to consider deployment of Time-division LTE ("TD-LTE") over the 2.3GHz spectrum band, with a view to building a multi-mode, multi-band LTE network. This will support business growth, while providing us with competitive advantage in the telecommunications market.

# More bandwidth
# More diversity

# Operations Review: Fixed-line Business

As a trusted network operator and ICT adviser, HGC is dedicated to providing customers with one-stop solutions via extensive and advanced infrastructure and facilities.

HGC continues to address the needs of international and local carriers, as well as corporate clients and residential customers, through an extensive fibre network now extending to more than 1.4 million kilometres and able to serve new data centres.

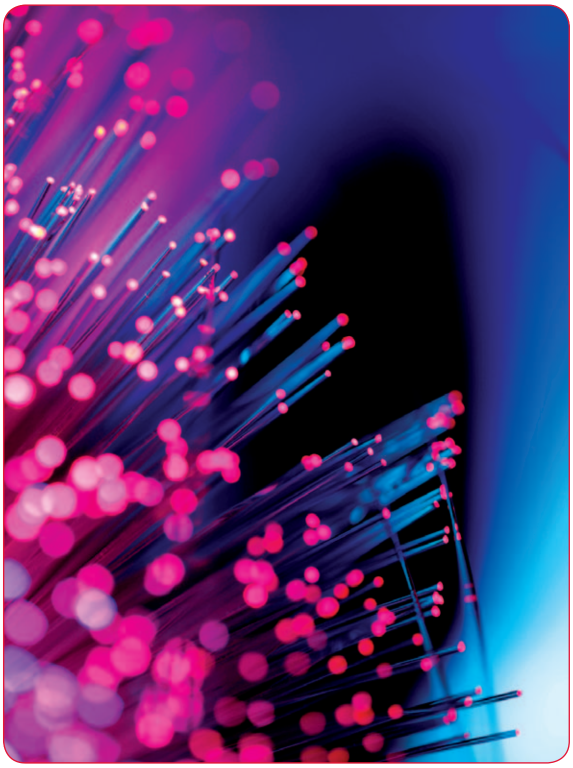
A 100G fibre backbone network stretching throughout Hong Kong Island, Kowloon and the New Territories enables HGC to offer the ultra-high speed MetroLambda-X Wavelength-Division Multiplexing ("WDM") network service, with super low latency of less than one millisecond.

This enhanced network also supports more than 16,000 Wi-Fi hotspots, making HGC the largest-scale Wi-Fi service provider in Hong Kong. Many of these hotspots are also served by a 1000Mbps fibre backhaul network to carry Internet content at high speed.

## International and Local Carrier Business

HGC continues to tap new markets by enriching service portfolios around the world, horizontally and vertically.

On the horizontal axis, HGC has extended global reach following strategic investment in diverse submarine and terrestrial cable systems. Our business reach extends to locations as far flung as Denmark and Djibouti, and into regions such as the Middle East and Africa, as well as various hard-to-enter markets.



HGC's extensive fibre network now stretches more than 1.4 million kilometres.

Vertically, big data and smart device trends prompted us to develop new services in areas such as cloud computing and data centre hosting. Over-The-Top, Application and Content Providers ("ACP"), game providers and eCommerce enterprises now benefit from our ACP solution. This provides one-stop service from project management to hosting and network, while meeting and matching with global eyeballs, with the aim of taking services to the global market.

HGC explores the huge potential held by cloud computing technologies.

As well as serving the **3** Group, HGC's Internet Packet Exchange Platform ("IPX") solution delivers reach to a rising number of mobile network operators, which are now able to exchange all kinds of mobile traffic at higher speeds in a more cost-effective manner. In addition, their end customers are better able to roam seamlessly.

Pioneering on-demand cloud connectivity, On-demand Virtual Lease Line ("ODVLL") and Dedicated Bandwidth-as-a-Service ("DBaaS") has enabled us to attract game providers, corporations and application developers. HGC serves them with instant connectivity via our cloud platforms and Multiprotocol Label Switching ("MPLS") network. Ongoing expansion has taken our service scope beyond Hong Kong, mainland China and the United States of America (the "US") to other continents, as well as enabling HGC to develop relationship with overseas corporate and business market customers.

HGC now benefits from voice interconnections with more than 390 carriers, along with direct mobile connections to 190-plus mobile operators in more than 90 countries. HGC also provides video coverage in 58 countries via 160 carriers.

HGC has been equipping mobile base stations with optical-fibre infrastructure as a leased-line backhaul service since the advent of 2G communications. This has enabled us to cope with ever-rising levels of data traffic such as that generated by smartphone popularity and the introduction of 4G LTE. Over the years, HGC has progressed from low to high-speed Metro Ethernet connectivity, followed by Gigabit Access.

In 2014, HGC became the first local telecommunications operator to deploy a 100G submarine cable backhaul solution based on WDM technology called Metro Lambda. Boasting super low latency of less than one millisecond, this highly-resilient service now links a Hong Kong submarine cable landing station with a data centre for a major US-based carrier.

## Corporate and SME Market

Corporate community of Hong Kong continues to rely on ICT services from HGC that include voice, broadband, network and IT offerings. HGC is adept at managing the needs of banking and financial institutions, as well as organisations in the public sector. Year 2014 saw launch of the WiseNET data service, powered by an Metro Ethernet Forum ("MEF") Carrier Ethernet 2.0 platform. This provides our customers – financial institutions in particular – with high-speed, reliable and secure networking for mission-critical applications such as data centre interconnection and extension of securities trading networks.

HGC is a provider of telecommunications infrastructure with a reputation for innovative application of leading-edge technologies, so is ideally positioned to tailor cloud solutions to unique customer needs. Such provision enables organisations to minimise the often prohibitive cost of purchasing and maintaining equipment. Our expertise in this burgeoning area also enables customers to operate with greater flexibility and business agility, with the bonus of being able to channel manpower from routine IT operations to more profitable core business activity.

Cloud-based video conferencing enables enterprises to save cost.

Big data and smart device trends prompted HGC to develop total cloud solutions.

HGC bizCloud

HGC eduCloud

HGC enterprizCloud

3 homeCloud

HGC ibizCloud

HGC retailCloud

Growing demand for high-quality video-conferencing capabilities prompted launch of a cloud-based solution branded HGC Cloud Video Conference Service. This addresses enterprises wanting a corporate-grade HD multipoint video conference solution that calls for minimal outlay on hardware and ongoing maintenance.

In addition, launch of HGC Superhub Hosted Microsoft Exchange Email Service in 2014 had the effect of providing enterprises with an advanced system to keep workforces connected and productive anytime, anywhere, without the worry of server maintenance. This service contains features that facilitate genuine collaboration and boost productivity. At the same time, customers can enjoy the flexibility of a monthly subscription arrangement and technical support that includes a 24/7 hotline.

HGC Retail Cloud was launched in January 2015, enabling chains of outlets to enhance business flexibility and boost competitiveness. The solution comprises Cloud Surveillance, Cloud Audience Analytics and Cloud Signage offerings, and enables enterprises of all sizes to save on manpower, while minimising investment in software and hardware used for monitoring and running a business.

## Residential Market

High-speed broadband Internet services continued to be high priority in 2014 and saw HGC offering Fibre-to-the-Home ("FTTH") services ranging from 100M to 1000M. Our ever-expanding broadband coverage now amounts to 1.7 million home-passes, as a result of ongoing extension of FTTH technology to major residential buildings.

HGC has developed strong relationships with market leaders in various technologies. The 3Home Broadband Wi-Fi Entertainment Solution, for example, represents a unique bundle that combines our home and outdoor Wi-Fi services with the new Sony PlayStation® Vita TV. This makes a

1

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1 HelloWay smartphone app allows customers to make/receive calls to/from Hong Kong via Wi-Fi and data networks.
2 HGC boasts 16,000-plus hotspots across town.
3 3Home Broadband is first in Hong Kong to launch a bundled offer comprising 4K home broadband service and entertainment content.
4 3Home Broadband Total Wi-Fi solutions customers benefit from Home Wi-Fi at speeds up to 1G.

high-quality gaming experience widely available with HGC's home Wi-Fi network.

Another manifestation of HGC Wi-Fi convenience came to the fore when 3Home Broadband partnered with Microsoft to launch the "Wi-Fi Solution X Office 365" bundle. This tie-up delivers real-time collaborative working and learning through the combined strengths of HGC's ultra-fast residential broadband, extensive "hgc on air" outdoor Wi-Fi network and Office 365 Home.

In addition, 3Home Broadband collaborated with one of the largest Internet TV content providers in mainland China to launch a pioneering bundle comprising home broadband service, smart TV and 4K entertainment content. 3Home Broadband customers became first in Hong Kong to enjoy streaming of 4K entertainment video content at an amazingly affordable price.

## Data Centre Market

HGC GlobalCentre Limited ("HGCGC") – a joint venture between HGC and Cheung Kong (Holdings) Limited – now runs facilities on Hong Kong Island and in the New Territories, after having met the data centre needs of local enterprises and international corporate customers for more than 13 years.


HGCGC runs facilities on Hong Kong Island and in the New Territories.

These highly-secure and reliable facilities were designed according to the TIA 942 tier-3, or above, standard and are accredited with ISO 27001 information security management and ISO 50001 energy management system certification. They are served by a 24-hour network operations centre and stringent building management system monitoring. These facilities also offer private rooms, or individual cabinets, to satisfy the differing requirements of a diversity of customer organisations.

HGCGC provides enterprises with world-class server colocation, disaster recovery solutions and managed services.

Our data centres meet the most demanding mission-critical needs across a wide variety of sectors that include government departments, international banks and multinational corporations, as well as cloud service and Internet content providers.

A new facility opened in Kwai Chung in early 2014. This combines with an existing data centre in Wong Chuk Hang to strengthen HGCGC's world-class proposition to enterprises, which offers server colocation, disaster recovery solutions and a variety of managed services solutions.

## Outlook

HGC has grown to become one of the leading carriers in Asia. Ongoing reinforcement of our strong service ethic, coupled with a constantly-enriched portfolio plus geographical expansion, distances us from other market players.

HGC continues to lead in various market sectors with increasingly more advanced capabilities. Our confidence is based on an intuitive understanding of corporate customer needs, strong working partnerships with like-minded ICT leaders and an eagerness to harness the latest technologies to delight valued customers.

# Management Discussion and Analysis

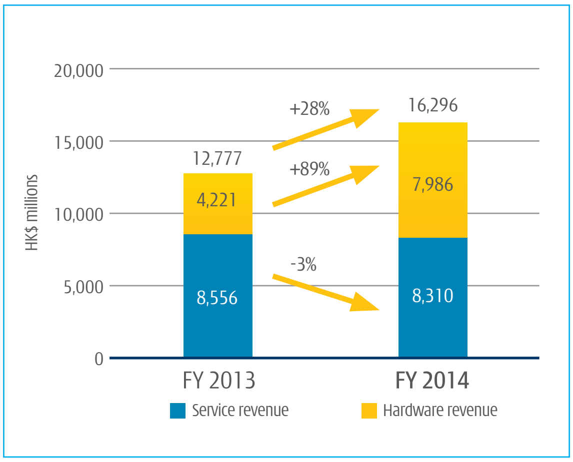
## Financial Review

Consolidated turnover in 2014 was HK$16,296 million, increasing by 28% when compared with HK$12,777 million in 2013. The increase was mainly due to an increase of 89% in hardware revenue from HK$4,221 million in 2013 to HK$7,986 million in 2014. The total service revenue in 2014 was HK$8,310 million, a slight decrease of 3% against HK$8,556 million in 2013, mainly due to the decrease in mobile service revenue by 10%, partially offset by the increase in fixed-line service revenue of 6%.

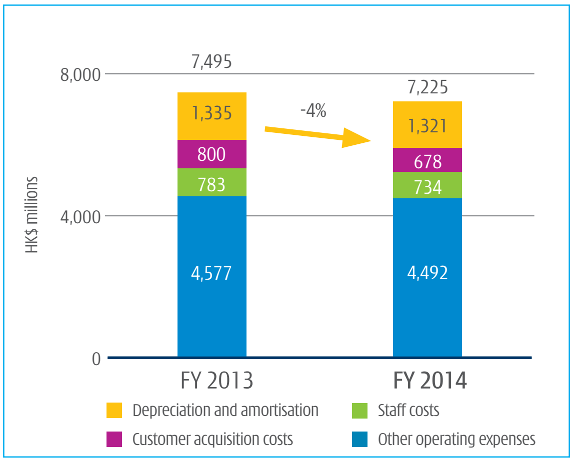
Comparing the second half of 2014 against its first half, total service revenue slightly increased by 1% as the 4% growth in fixed-line service revenue was partially offset by the 2% decrease in mobile service revenue as a result of increased churns of lower-ARPU customers after a planned strategy to focus more on serving higher-ARPU data centric customers. Hardware revenue increased by 182% due to the launch of popular handset models in the second half of 2014.

Total operating expenses, excluding cost of inventories sold, amounted to HK$7,225 million in 2014, reducing by 4% when compared with HK$7,495 million in 2013, as a result of continuous stringent cost control and efficiency improvement.

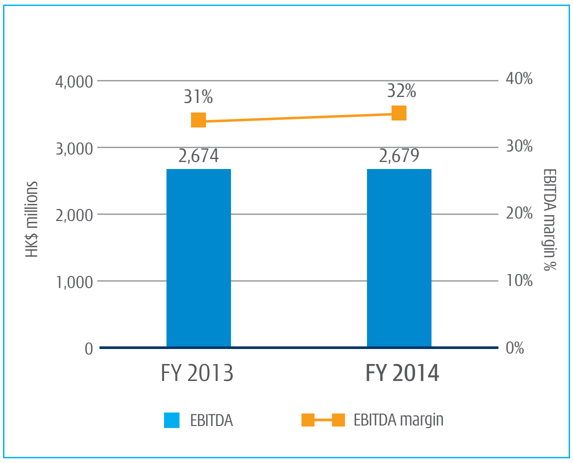
## Consolidated turnover




## Key cost items




## Consolidated EBITDA



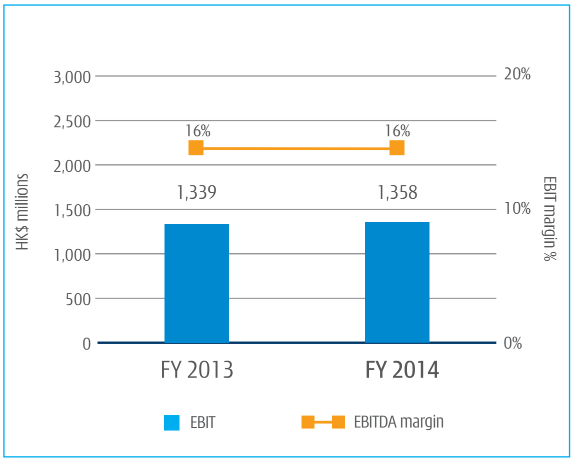
Consolidated EBITDA was HK$2,679 million in 2014, comparable with HK$2,674 million in 2013, with EBITDA margin[(1)] increasing from 31% in 2013 to 32% in 2014, mainly due to improved operating performance of mobile and fixed-line businesses as well as efficient cost management. Depreciation and amortisation amounted to HK$1,321 million in 2014, a decrease of 1% when compared with 2013. Consolidated EBIT was HK$1,358 million in 2014, broadly in line with 2013.

Interest and other finance costs decreased by 3% from HK$181 million in 2013 to HK$175 million in 2014 mainly as a result of lower notional finance charge on decreasing licence fees liabilities and lower finance cost on decreasing level of bank borrowings. Gearing ratio as at 31 December 2014, calculated by dividing net debt by net total capital, was 23% (31 December 2013: 28%). Share of losses of joint ventures in 2014 amounted to HK$35 million compared with HK$12 million in 2013. The increase in share of losses was mainly due to additional pre-operating expenditure of a newly opened data centre in March 2014.

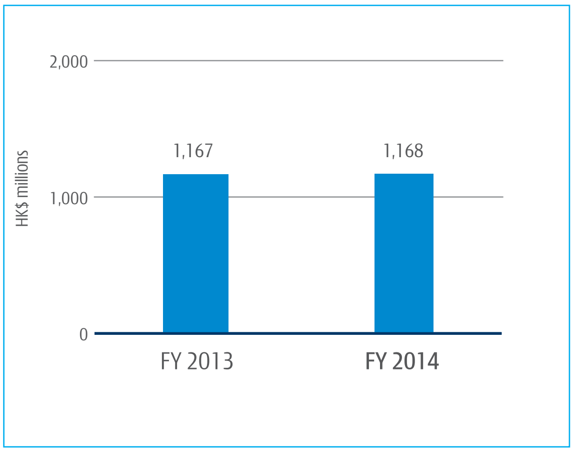
Accordingly, profit before taxation was HK$1,168 million in 2014, maintaining at the same level when compared with HK$1,167 million in 2013. Following years of profitability of the mobile business, carried forward tax losses have effectively been utilised, resulting in an increase in deferred tax expense being booked in the year. Together with the profits generated by both mobile and fixed-line businesses, taxation increased significantly from HK$77 million in 2013 to HK$205 million in 2014.

Overall, profit attributable to shareholders of the Company in 2014 was HK$833 million, a decrease of 9% when compared with HK$916 million in 2013, mainly as a result of increased deferred tax expense as mentioned above.

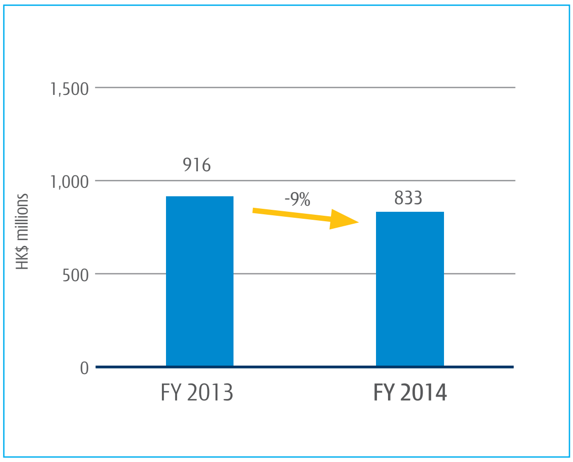
## Consolidated EBIT




## Profit before taxation




## Profit attributable to shareholders




*Note:*

(1) *EBITDA or EBIT margin % represents EBITDA or EBIT as a percentage of total service revenue (total revenue less hardware revenue).*

## Business Review

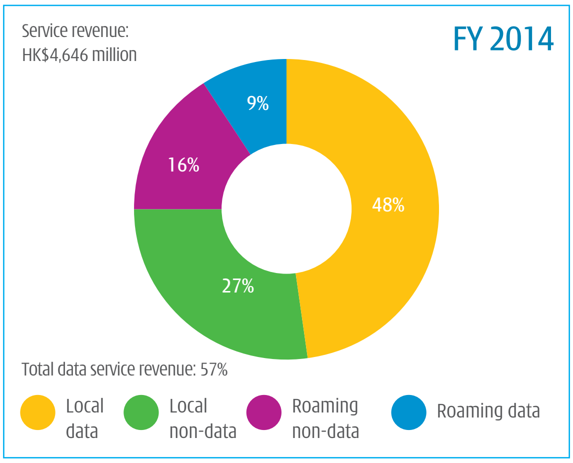
The Group is engaged in two principal businesses – mobile and fixed-line.

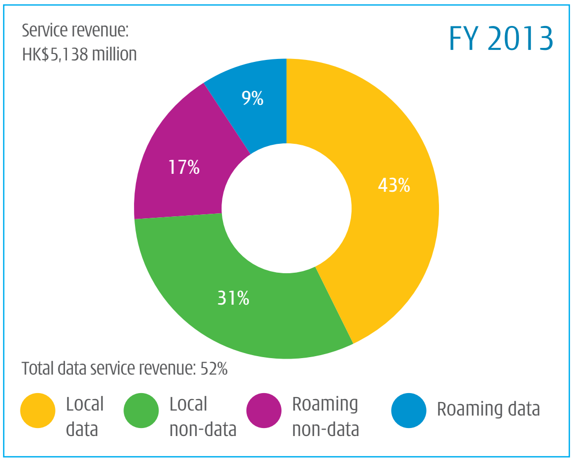
### Hong Kong and Macau Mobile business highlights

| | For the year ended 31 December 2014 HK$ millions | For the year ended 31 December 2013 HK$ millions | 2014 vs 2013 Change | For the six months ended 31 December 2014 HK$ millions | For the six months ended 30 June 2014 HK$ millions | 2014 2H vs 2014 1H Change |
|---|---|---|---|---|---|---|
| Total revenue | 12,632 | 9,359 | +35% | 8,194 | 4,438 | +85% |
| - *Service revenue* | 4,646 | 5,138 | -10% | 2,298 | 2,348 | -2% |
| - *Hardware revenue* | 7,986 | 4,221 | +89% | 5,896 | 2,090 | +182% |
| *Net customer service revenue margin %* [2] | *89%* | *87%* | *+2% points* | *90%* | *89%* | *+1% point* |
| EBITDA | 1,497 | 1,570 | -5% | 883 | 614 | +44% |
| *EBITDA margin %* [1] | *32%* | *31%* | *+1% point* | *38%* | *26%* | *+12% points* |
| Depreciation and amortisation | (620) | (609) | -2% | (314) | (306) | -3% |
| EBIT | 877 | 961 | -9% | 569 | 308 | +85% |
| CAPEX | (664) | (657) | -1% | (444) | (220) | -102% |
| EBITDA less CAPEX | 833 | 913 | -9% | 439 | 394 | +11% |

Total revenue of the mobile business in 2014 was HK$12,632 million, increased by 35% when compared with 2013. Hardware revenue grew by 89% to HK$7,986 million in 2014 when compared with that in 2013 as a result of increased standalone hardware sales in the second half of 2014. The mobile service revenue decreased by 10% to HK$4,646 million in 2014 when compared with that in 2013 as a result of intense price pressure in the first half of 2014, resulted in increased churns of lower-ARPU customers, as well as decrease in demand for non-data and roaming services. Total data service revenue[3] from local and overseas accounted for 57% of mobile service revenue in 2014, which was higher than 52% in 2013. Despite the overall decrease in service revenue, the service revenue margin improved to 89% in 2014 compared with 87% in 2013 due to better control over direct variable costs.

### Mobile service revenue




*Notes:*

(2) *Net customer service revenue margin is defined as service revenue less direct variable costs (including interconnection charges and roaming costs).*

(3) *Data service revenue is defined as customer payment for internet and data access services, excluding messaging, content and related services. Non-data is defined as customer payment for items including voice, messaging, content and related services.*

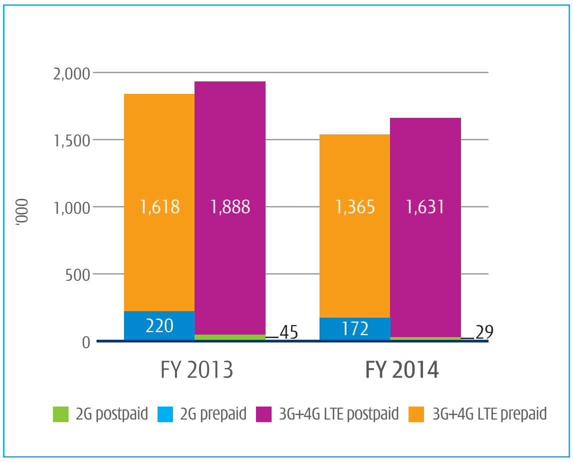
EBITDA was HK$1,497 million in 2014, decreasing by 5% when compared with that in 2013. Corresponding EBIT was HK$877 million in 2014, representing a decrease of 9% when compared with that in 2013 mainly as a result of additional expenses incurred after the launch of 4G LTE network before reaching critical mass. EBITDA margin improved by 1% to 32% in 2014 as a result of efficiency improvement and stringent cost control.

Comparing the second half of 2014 against its first half, the mobile service revenue recorded a 2% decline mainly due to increased churns of lower-ARPU customers, partially offset by the improving ARPU from newly acquired data centric customers since the third quarter of 2014. On the other hand, hardware revenue increased by 182% as a result of increased standalone handset sales in the second half of 2014. With better overall turnover and continued focus on cost management, EBITDA and EBIT in 2014 increased by 44% and 85%, respectively.

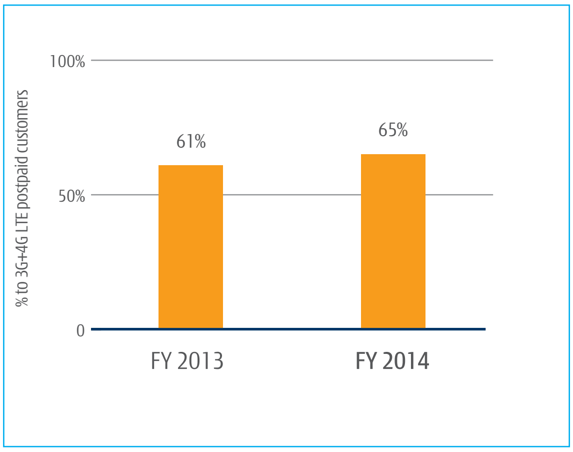
As of 31 December 2014, the Group was serving approximately 3.2 million customers (31 December 2013: 3.8 million) in Hong Kong and Macau, of which postpaid customers totalled approximately 1.7 million (31 December 2013: 1.9 million), being 52% of total customer base (31 December 2013: 51%). The decrease in postpaid and prepaid customer number was mainly due to increased churns among lower-ARPU customer as mentioned above under a planned strategy to focus more on serving higher-ARPU data centric customers and thus the churn rate of postpaid customers increased slightly to 2.0% in 2014, compared with 1.9% in 2013.

As of 31 December 2014, 65% of 3G and 4G LTE postpaid customers in Hong Kong and Macau were smart device users (31 December 2013: 61%). Blended postpaid net ARPU[(4)] in the second half of 2014 was HK$205 compared with HK$197 in the first half of 2014, reflecting more customer upgrades and price recovery of tariff plans. Blended postpaid net AMPU[(5)] in the second half of 2014 was HK$182, compared with HK$173 in the first half of 2014, following a disciplined control over direct variable costs.

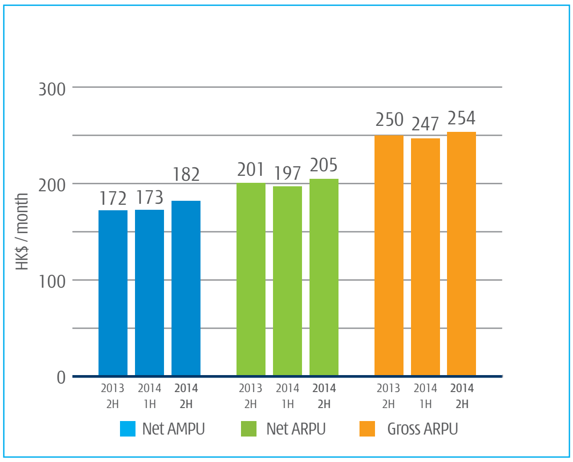
## Total customers




## Smart device penetration




## Blended postpaid ARPU and net AMPU



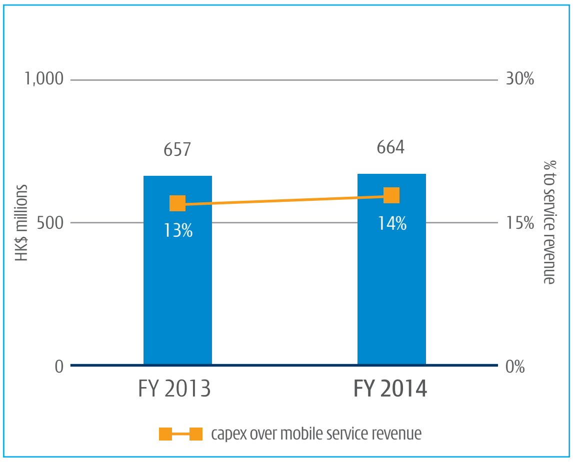

*Notes:*

*(4) Gross ARPU is defined as monthly average spending per user including a customer's contribution to handset, or other devices, in a bundled service and hardware plan in 6-month period. Net ARPU is defined as monthly average spending per user excluding a customer's contribution to handset, or other devices, in a bundled service and hardware plan in 6-month period.*

*(5) Net AMPU represents average net margin per user. Net AMPU equals net ARPU less direct variable costs (including interconnection charges and roaming costs) in 6-month period.*

Capital expenditure on property, plant and equipment in 2014 amounted to HK$664 million (2013: HK$657 million), accounting for 14% (2013: 13%) of mobile service revenue. A stable and disciplined capital expenditure recorded in 2014 reinforced the commitment on network modernisation and expansion to support long-term business growth while implementing efficient cost management.

## Mobile capex




## Summary of spectrum investment

*as of 31 December 2014*

| Spectrum band | Bandwidth | Year of expiry |
|---|---|---|
| **Hong Kong** | | |
| 900 MHz | 10 MHz | 2026 |
| 900 MHz | 16.6 MHz | 2020 |
| 1800 MHz | 23.2 MHz | 2021 |
| 2100 MHz | 34.6 MHz | 2016 (6) |
| 2300 MHz | 30 MHz | 2027 |
| 2600 MHz | 30 MHz* | 2024 |
| 2600 MHz | 10 MHz* | 2028 |
| **Macau** | | |
| 900 MHz | 15.6 MHz | 2023 |
| 1800 MHz | 10 MHz | 2023 (7) |
| 2100 MHz | 20 MHz | 2023 |

* *Shared under a 50/50 joint venture - Genius Brand Limited*

*Notes:*

*(6) Related licence will be extended to year 2031. Please refer to paragraph headed "Acquisition of Radio Spectrum" under section "Group Capital Resources and Other Information" for details.*

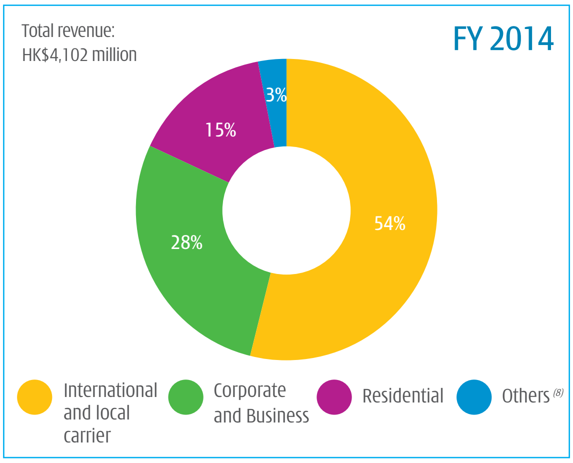
*(7) Related licence was extended to year 2023 with related bandwidth reduced to 8.8 MHz from year 2015.*

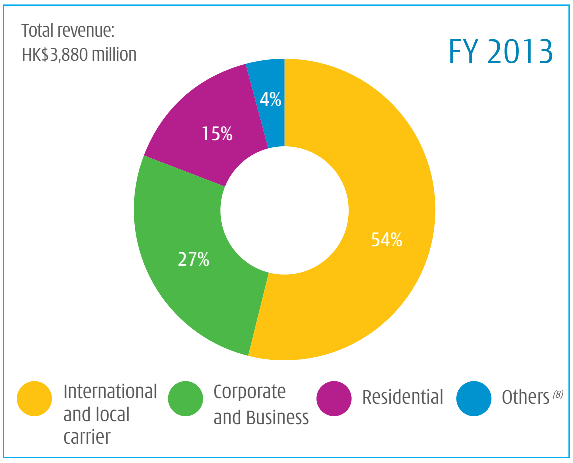
## Fixed-line business highlights

| | For the year ended 31 December 2014 HK$ millions | For the year ended 31 December 2013 HK$ millions | 2014 vs 2013 Change | For the six months ended 31 December 2014 HK$ millions | For the six months ended 30 June 2014 HK$ millions | 2014 2H vs 2014 1H Change |
|---|---|---|---|---|---|---|
| Total revenue | 4,102 | 3,880 | +6% | 2,089 | 2,013 | +4% |
| EBITDA | 1,307 | 1,234 | +6% | 676 | 631 | +7% |
| *EBITDA margin %* [1] | *32%* | *32%* | *no change* | *32%* | *31%* | *+1% point* |
| Depreciation and amortisation | (701) | (726) | +3% | (353) | (348) | -1% |
| EBIT | 606 | 508 | +19% | 323 | 283 | +14% |
| CAPEX | (534) | (623) | +14% | (334) | (200) | -67% |
| EBITDA less CAPEX | 773 | 611 | +27% | 342 | 431 | -21% |

Total revenue increased by 6% from HK$3,880 million in 2013 to HK$4,102 million in 2014. The overall increase was mainly contributed by higher revenue generated from the international and local carrier markets as well as the corporate and business markets. In 2014, international and local carrier markets continued to be the main contributor to the fixed-line revenue, which increased by 6% to HK$2,213 million when compared with HK$2,083 million in 2013. Due to increased demand for comprehensive solution-based services by corporate and business market customers, revenue from related market increased by 11% from HK$1,035 million in 2013 to HK$1,144 million in 2014. Revenue from the residential market was HK$597 million in 2014, a mild decline compared with HK$602 million in 2013 as a result of a transition in change of sales mix in serving customers with high data speed requirements with the advanced infrastructure.

## Fixed-line revenue




*Note:*

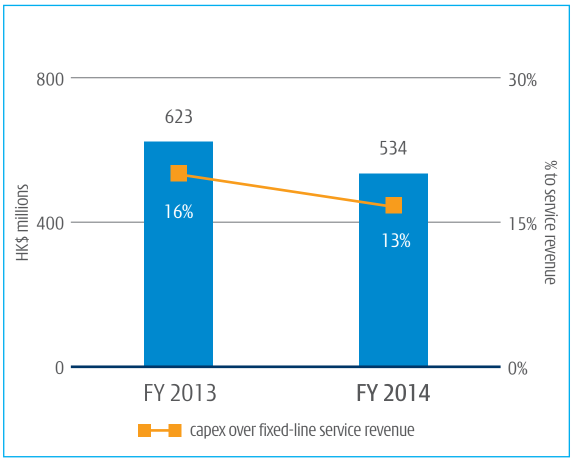
*(8) Others include revenue from interconnection charges and data centres.*

EBITDA in 2014 amounted to HK$1,307 million, representing an increase of 6% from HK$1,234 million in 2013. EBITDA margin in 2014 was 32%, maintaining at the same level as 2013. EBIT in 2014 amounted to HK$606 million, representing an increase of 19% compared with HK$508 million in 2013.

Comparing the second half of 2014 against its first half, the fixed-line revenue increased by 4% as a result of higher revenue generated from international and local carrier markets as well as from corporate and business markets due to higher demand from new and existing carrier and business customers. EBITDA of the fixed-line business increased by 7% while EBIT increased by 14%.

Capital expenditure on property, plant and equipment in 2014 amounted to HK$534 million (2013: HK$623 million), representing 13% (2013: 16%) of fixed-line service revenue which highlighted continued focus on network expansion and enhancement to support long-term business growth.

## Fixed-line capex



# Group Capital Resources and Other Information

## Treasury Management

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. The treasury function of the Group operates as a centralised service for managing group funding needs and monitoring financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty risks.

The Group uses interest rate and foreign currency swaps and forward contracts as appropriate for risk management purposes only, for hedging transactions and managing the assets and liabilities of the Group. It is the policy of the Group not to enter into derivative transactions for speculative purposes. It is also the policy of the Group not to invest liquidity in financial products, including hedge funds or similar vehicles, as part of any speculative exercise.

### *Cash management and funding*

In general, financing is raised mainly in the form of bank borrowings to meet funding requirements of the operating subsidiaries of the Group. Close monitoring of the overall debt position of the Group involves regular reviews of funding costs and maturity profile in order to facilitate refinancing.

### *Interest rate exposure*

The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings which are at floating rates. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt.

### *Foreign currency exposure*

The Group runs telecommunications operations principally in Hong Kong, with transactions denominated in Hong Kong dollars. The Group endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in the same currency. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Macau Patacas, Renminbi, Euros and British pounds.

### *Credit exposure*

The Group operates a central cash-management system for all subsidiaries. The Group's holding of surplus funds are managed in a prudent manner, usually in the form of deposits with banks or financial institutions, which exposes the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share prices movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by management.

## Liquidity and Capital Resources

The Group is financed by share capital, internally-generated funds and external borrowings. As at 31 December 2014, the Group recorded share capital of HK$1,205 million and total equity of HK$11,709 million.

The cash and cash equivalents amounted to HK$359 million as at 31 December 2014 (2013: HK$209 million), 74% of which were denominated in Hong Kong dollars, 7% in Macau Patacas, 6% in Renminbi, 5% in United States dollars with remaining in various other currencies. As at 31 December 2014, the Group had bank borrowings of HK$3,952 million (2013: HK$4,571 million) which were denominated in Hong Kong dollars and repayable in November 2019. The gearing ratio, calculated by dividing net debt by net total capital, was 23% (2013: 28%) as at 31 December 2014, while the net debt to EBITDA was 1.3 times (2013: 1.6 times) as a result of net repayment of borrowings of HK$650 million during the year with better operating cashflow.

## Cash Flows

The Group maintains a healthy financial position, benefiting from solid operating cash inflows. During the year ended 31 December 2014, net cash generated from operating activities and used in investing activities of the Group amounted to HK$2,483 million (2013: HK$1,735 million) and HK$1,083 million (2013: HK$1,571 million) respectively. Other than operating activities, major net outflow of funds under investing and financing activities during 2014 included payments for capital expenditure, investments in joint ventures, repayment of borrowings and dividends.

## Charges on Group Assets

As at 31 December 2014, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

## Capital Expenditure

Capital expenditure on property, plant and equipment for the year ended 31 December 2014 was HK$1,198 million (2013: HK$1,280 million), of which mobile and fixed-line businesses accounted for HK$664 million (2013: HK$657 million) and HK$534 million (2013: HK$623 million) respectively, reflecting continuation of a disciplined approach to investment in network modernisation and expansion to support long-term business growth while implementing efficient cost management.

## Acquisition of Radio Spectrum

During the year ended 31 December 2014, Hutchison Telephone Company Limited, a subsidiary of the Group, acquired 9.8 MHz spectrum in the 1.9 – 2.2 GHz band with a consideration of HK$470.4 million through re-auction. Together with a total of 19.8 MHz spectrum obtained by exercising a right of first refusal offered by the Communications Authority of Hong Kong with a consideration of HK$1,306.8 million, the Group has a total of 29.6 MHz spectrum in the 1.9 – 2.2 GHz band for the provision of mobile telecommunications services in Hong Kong for a period of 15 years from 2016.

## Contingent Liabilities

As at 31 December 2014, the Group had contingent liabilities in respect of performance guarantees, financial guarantees and others amounting to HK$520 million (2013: HK$649 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of the spectrum licence obligations.

## Commitments

As at 31 December 2014, the Group had total capital commitments of property, plant and equipment and investments in joint ventures amounting to HK$1,568 million (2013: HK$1,626 million) and telecommunications licences of HK$1,777 million (2013: Nil).

As at 31 December 2014, the Group had total operating lease commitments for buildings and other assets amounting to HK$760 million (2013: HK$647 million).

A subsidiary of the Group has a unified carrier licence for the 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.

# Risk Factors

The business, financial condition and results of operations of the Group are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the financial condition of the Group or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

## Market Economy

The Group operates principally in Hong Kong. As a result, the financial condition of the Group and results of operations may be influenced by the general state of a local market or economy in the region. Any significant or protracted worsening of the present financial and economic climate within Hong Kong and/or other areas, could result in a change to customer spending or usage behaviour, which could have an adverse impact on the business, results of operations and financial performance of the Group.

## Highly-competitive Market

The Group faces significant competition. Aggressive tariff plans and customer acquisition strategies adopted by competitors may impact on pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects – hence, the service revenue the Group receives as a major provider of telecommunications services. Risk of competition from alternative sources of telecommunications services now, or in the future, could materially and adversely affect the financial performance and growth prospects of the Group.

## Accounting

The International Accounting Standards Board has issued, and may issue more, new and revised standards and interpretations. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new International Financial Reporting Standards will not have a significant impact on the financial condition and results of operations of the Group.

## Strategic Partners

The Group conducts some business through non wholly-owned subsidiaries and joint ventures, in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies, government authorities and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future, or that the Group will be able to pursue its planned strategies with respect to its non wholly-owned subsidiaries and joint ventures and the markets in which they operate. Furthermore, other investors in the non wholly-owned subsidiaries of the Group and joint ventures may undergo a change of control or financial difficulties, which may affect the financial condition and results of operations of the Group.

## Impact of Regulatory Decisions

The Group is permitted to provide telecommunications services and operate networks only under licences granted by regulatory authorities in individual countries/areas. All these licences have, historically, been issued for fixed terms and subsequently renewed. However, further renewals may not be guaranteed, or the terms and conditions of these licences may be changed when renewed. All these licences contain regulatory requirements and carrier obligations regarding the way the Group must conduct business, and in accordance with requirements relating to factors such as network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspension or other sanctions including, ultimately, revocation of the licences. Decisions by regulators regarding the granting, amendment or renewal of licences held by the Group, or other parties (including spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), could result in the Group facing unforeseen competition, and could adversely affect the financial condition and results of operations of the Group.

## Rapid Technological Changes

The global telecommunications industry is characterised by rapid increases in the diversity and sophistication of the technologies and services offered. As a result, the Group may face increasing competition from technologies currently being developed, or which may be developed in the future, by both existing competitors as well as new market entrants. The development and application of new technologies involve time, substantial cost and risk. The technologies employed may become obsolete or be subject to intense competition from new technologies in the future. Impairment of any assets could adversely affect the financial condition and results of operations of the Group. If the Group fails to develop, or obtain timely access to, new technologies and equipment, or if the Group fails to obtain the necessary licences and spectrum to provide services using these new technologies, the Group may lose customers and market share and become less profitable.

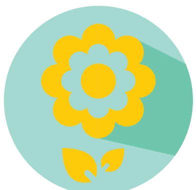
## Network Performance

Some elements of networks of the Group, such as switching and data platforms, perform critical functions for broad sectors of network operations. Damage to such critical elements may cause an entire sector of network coverage to be rendered non-functional and, as a result, the Group may not be able to provide telecommunications services to a substantial proportion of customer base. In the event that the Group is unable to provide telecommunications services to a substantial proportion of its customers for an extended period of time, its business and results of operations will be materially and adversely affected.

## Past Performance and Forward-looking Statements

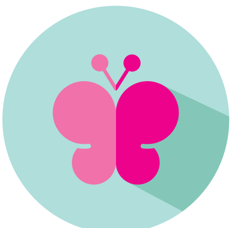
The performance and the results of operations of the Group contained within this annual report are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained within this annual report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained within this annual report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

# More care
# More happiness



# Environmental, Social and Governance Report

A philosophy of continuous improvement in all we do has seen the Group become an employer of choice in Hong Kong, as well as a role model for corporate responsibility in business ethics, sustainable development and giving back to the community.



The Group is committed to the long-term sustainability of its various businesses, as well as the support it provides to the communities in which it operates. Quality products and services are delivered to customers as a result of the business being managed prudently and according to a sound decision-making process. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these constituencies through constructive conversation with a view to charting a course for long-term prosperity.

## Quality of Workplace

Employees are our most precious asset. As such, loyal and industrious employees are able to take advantage of many career opportunities as the Group expands. The Group adopts non-discriminatory employment practices and provides a safe and healthy workplace.

### Working conditions

The Code of Ethics of the Group sets out our commitment to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, creed, religion, age, disability or sexual orientation. Group policy is to provide equal opportunities for all company personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment.

The Group seeks to attract and retain talented individuals committed to achieving objectives in a work environment that promotes values such as fair play, respect and integrity. Compensation packages are competitive, and individuals are rewarded according to performance and within an annually-reviewed framework of salary, bonus and incentive schemes. Benefits include medical cover, provident funds, retirement plans, long-service awards and a share option scheme.

As of 31 December 2014, the Group employed 1,909 full-time staff members. Staff costs during the year ended 31 December 2014, including directors' emoluments, totalled HK$734 million.

### Health and safety

The Group provides a healthy and safe workplace for all employees, in line with established internal guidelines and systems.

In addition, the Group engages with employees to address occupational health and safety issues. For example, first-aid training is given, with designated first-aiders ready to respond to need throughout our offices. The Group also provides access to occupational health and safety resources. In fact, such considerations are incorporated in the design, operations and maintenance of our business premises.


Employees are encouraged to take part in work-life balance activities.

### Development and training

Heavy emphasis on career development translates into extensive and ongoing training for employees. Comprehensive and structured programmes are organised for new staff to familiarise them with the industry.

Sponsorship of education is also available to employees in the form of job-related courses offered by external institutions.

The Group encourages employees to take part in work-life balance activities and community service. These include employee outings, sports events, community volunteering and supporting charitable organisations.

## Environmental Protection

### Efficient utilisation of resources

The Group is committed to minimising the impact of business activities on the environment, and supporting environmental protection programmes. In particular, a number of initiatives designed to conserve resources were introduced to promote employee awareness of the need to achieve efficient utilisation of resources.

In 2014, the Group participated in an innovative programme called "United Nations Millennium Development Goals" organised by the World Green Organisation ("WGO") and met criteria to be awarded with WGO "Green Office" and "Better World Company" labels.

### Environment and natural resources

As part of our long-term strategy to reduce paper consumption, the Group continued a large-scale "Go Paperless" campaign in 2014 and was successful in encouraging customers to opt for electronic billing via email or SMS.

Our data centres went "green" in 2014 and the facility at Kwai Chung was accredited with the ISO 50001 energy management system certification. This exemplifies our pioneering efforts in conserving energy and developing data centre facilities in sustainable fashion.

A dynamic cooling management system at an HGCGC data centre reduces power consumed by air-conditioning.

## Operating Practices

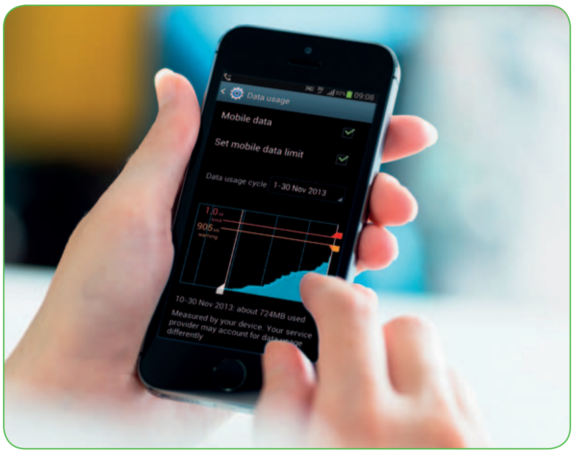
### Supply chain management

The Group has the greatest respect for the laws and regulations that govern the way we go about our business. The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with vendors.

Purchasing and Business Partner Evaluation Policies and Procedures provide direction and guidelines on evaluation and engagement when dealing with major business partners. This encompasses working relationships with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. When selecting vendors and suppliers, the Group takes factors into account such as quality of services and products, past performance, financial standing and market share assessment. The Group expects suppliers to observe the same environmental, social, health and safety and governance considerations in their operating practices as those listed by our corporate website. Procurement teams are trained to take into account each and every aspect of such policies and procedures when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors. The Group has also provided our stakeholders, including vendors, with procedures such that they can report any suspected impropriety.

### Product responsibility

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations of the jurisdictions within which we operate. The Code of Ethics of the Group requires our people to comply




Helping customers understand their data usage habits.

with applicable governmental and regulatory laws, rules, codes and regulations.

Compliance Committees meet regularly and include representatives from various business units. Guidelines and handbooks are issued to explain compliance work in a comprehensive and systematic manner, while internal policies are posted on the Group intranet. In addition, the Group runs training sessions for relevant staff members, agents, third-party vendors and business partners. Orientation training is conducted for new employees, while refreshment training is provided for all colleagues on a regular basis.

Various initiatives have been introduced as part of our efforts to educate customers on understanding and keeping up to speed with their mobile data usage habits. A data top-up function helps customers manage their needs, especially those users with ad hoc data requirements. These initiatives help customers manage data usage in their best interests. In addition, the Group continues to deploy resources to facilitate self-help action that assists customers in addressing inquiries and troubleshooting issues in a timely fashion.

### Anti-corruption

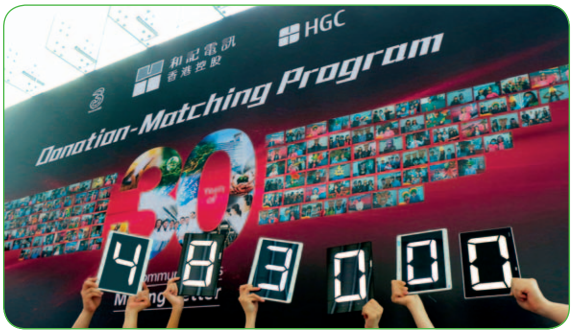
The Group takes anti-corruption responsibilities very seriously. Our Anti-Bribery and Anti-Corruption Policy sets out standards of conduct to which all employees are required to adhere. The Group has established confidential channels through which our stakeholders can report illegal or excessively-risky activities to the Board of Directors. Persons making such reports are assured of protection. During the year under review, the Group organised numerous corporate governance seminars to review good business practices and anti-corruption measures and guidelines, as well as operating practices and business ethics.

## Community Involvement

The Group has been awarded the "Caring Company" title by the Hong Kong Council of Social Service for years. Our public engagement and donation policy helps us uphold a commitment to serving the community by way of cash and in-kind donations, as well as staff participation.

### Community investment

In 2014, a donation of approximately HK$0.7 million was made to charitable organisations in Hong Kong and Macau, covering community projects across our focus areas of community, education, youth and the elderly.


We marked 30 years of service by raising HK$483,000 to benefit eight charitable organisations.

The 12 months under review marked our 30th year in the local telecommunications industry. The Group celebrated by giving back to the community. The 30th Anniversary Donation Matching Programme was run in two phases in October 2014 to invite donations from staff members, while the Group matched such contributions dollar for dollar. Staff members throughout departments volunteered their free time during lunchtimes to solicit and collect donations. The donations were evenly shared among eight non-profit charitable organisations. They were the Arts with the Disabled Association Hong Kong, Care For Your Heart, the ECO Association, Fu Hui Education Foundation, Mission of Love, The Hong Kong Down Syndrome Association, The Hong Kong Society for the Blind and U-Hearts.

The Group also sponsored staff to participate in sports charity events. Employees also participated in Oxfam Trailwalker, supporting the charity's various poverty alleviation projects.

## Serving the community

We ran a special recycling station as part of the "Sharing for a Cause" campaign organised by the Kids4Kids charitable institution. Staff members were invited to donate usable educational and household items to Kids4Kids and other voluntary organisations for onward passage to underprivileged children.

Year 2014 saw continuation of the "Lo-Yau-Kee Monthly Service Plans Sponsorship Programme", launched in 2010. Senior citizens from a number of participating charitable organisations enjoyed a waiver of service fee from the Group.

In 2014, the Group's corporate website at www.hthkh.com received a silver award in the Web Accessibility Recognition Scheme organised by The Office of the Government Chief Information Officer and the Equal Opportunities Commission. The award recognised our efforts in the provision of easily-accessible online information and services for people with disabilities and special needs, and enhancing the user experience. The Group also organised a Blood Donation Day to encourage staff to help save lives.

The Group jointly organised a "We Love We Share Programme" with Mission of Love and Sik Sik Yuen Ho Tai Neighbourhood Centre for Senior Citizens. A staff visit to an elderly centre was arranged, and shopping trolleys were handed out to the elderly so they could shop with ease.

## Cultivating a better society

During 2014, the Group continued to sponsor the "ACCA Hong Kong Business Competition" to encourage the younger generation to contribute ideas towards building a better society.

The Group also encourages youth to live a healthy lifestyle by allowing our network to be used to deliver anti-drug abuse SMS messages to youngsters, in co-operation with the Narcotics Division of the Security Bureau.

1 Handing out shopping trolleys to the elderly.
2 A Blood Donation Day encourages staff to help save lives.
3 Staff members donate usable items to a charitable organisation.
4 Sponsoring the "ACCA Hong Kong Business Competition" to encourage youngsters to help build a better society.

# Information on Directors

## Biographical Details of Directors

### FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 63, has been Chairman and a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mrs Chow Woo Mo Fong, Susan, a Non-executive Director of the Company, since 11 May 2010. He is also a member of the Remuneration Committee of the Company. He is an executive director and group managing director of Hutchison Whampoa Limited ("HWL"), chairman of Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPH") (as trustee-manager of Hutchison Port Holdings Trust), Power Assets Holdings Limited ("Power Assets"), HK Electric Investments Manager Limited ("HKEIM") (as trustee-manager of HK Electric Investments) and HK Electric Investments Limited ("HKEIL"), and co-chairman of Husky Energy Inc. ("Husky"). He is also deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"). In addition, he is a non-executive director of Cheung Kong (Holdings) Limited ("CKH") and CK Hutchison Holdings Limited ("CKHH"), and a director of Hutchison International Limited ("HIL") and Ommaney Holdings Limited ("OHL"). The aforementioned three companies (namely, CKH, HIL and OHL) and HWL are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He was previously chairman and an executive director of Hutchison Harbour Ring Limited ("HHR") (now known as China Oceanwide Holdings Limited). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of The Institute of Chartered Accountants in Australia.

### LUI Dennis Pok Man

Deputy Chairman and Non-executive Director

Lui Dennis Pok Man, aged 63, has been Deputy Chairman and a Non-executive Director of the Company since 4 March 2009. He is a director of Hutchison Telecommunications Group Holdings Limited ("HTGHL"), a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr Lui heads the operations of the Hutchison Asia Telecommunications group comprising its telecommunications business in Indonesia, Vietnam and Sri Lanka. He also oversees the telecommunications operations in Ireland and Austria and generally assists in other telecommunications operations and related investments within the HWL group. Mr Lui first joined Hutchison Paging Limited in 1986 and became its managing director in 1993. He was managing director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK", a subsidiary of the Company), in charge of the mobile telecommunications, fixed-line, multi-media, Internet and paging businesses in China, Hong Kong, Macau and Taiwan from 1996 to April 2000. From May 2001, he oversaw a number of the telecommunications operations and new business development of the HWL group in particular as an executive director and chief executive officer of Hutchison Telecommunications International Limited ("HTIL") from 2004 to 2010. He holds a Bachelor of Science degree.

### WONG King Fai, Peter

Executive Director and Chief Executive Officer & Group Managing Director

Wong King Fai, Peter, aged 66, has been Executive Director and Chief Executive Officer of the Company since 4 March 2009 and Chief Executive Officer & Group Managing Director of the Company since 10 September 2012. He joined the HWL group in 1996 as technical director of HTHK and was promoted to the position of fixed network director of HTHK in 1998 where he was responsible for the establishment of infrastructure, service and market development of its fixed network business. He is a director of HTHK and Hutchison Global Communications Limited ("HGC", a subsidiary of the Company). Before joining HTHK, Mr Wong gained extensive telecommunications experience with Cable & Wireless Hongkong Telecom through various senior roles. He holds a Master's degree in Telecommunications from the University of Birmingham, the United Kingdom and is a Fellow of The Hong Kong Institution of Engineers.

## CHOW WOO Mo Fong, Susan

Non-executive Director

Chow Woo Mo Fong, Susan, aged 61, has been a Director of the Company since 2007 and designated as a Non-executive Director of the Company since 4 March 2009. She is an executive director and deputy group managing director of HWL, an executive director of CKI and a director of HTAL. In addition, she is a director of HIL, OHL, HTGHL, Hutchison Telecommunications Investment Holdings Limited ("HTIHL") and Hutchison Telecommunications Holdings Limited ("HTHL"), all of which together with HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is also alternate director to directors of CKI, HKEIM (as trustee-manager of HK Electric Investments), HKEIL, HTAL and TOM Group Limited ("TOM Group"). She was previously an executive director of HHR (now known as China Oceanwide Holdings Limited), HKEIM (as trustee-manager of HK Electric Investments) and HKEIL. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

## Frank John SIXT

Non-executive Director

Frank John Sixt, aged 63, has been a Non-executive Director of the Company since 4 March 2009. He is an executive director and group finance director of HWL, non-executive chairman of TOM Group, an executive director of CKI, a non-executive director of CKH, CKHH, HPH (as trustee-manager of Hutchison Port Holdings Trust) and Power Assets, and a director of HTAL and Husky. In addition, he is a director of Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, Li Ka-Shing Unity Trustee Corporation Limited as trustee of The Li Ka-Shing Unity Discretionary Trust, Li Ka-Shing Unity Trustcorp Limited as trustee of another discretionary trust, HIL, OHL, HTGHL, HTIHL and HTHL, all of which together with CKH and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also alternate director to directors of HTAL. He holds a Master's degree in Arts and a Bachelor's degree in Civil Law, and is a member of the Bar and the Law Society of the Provinces of Quebec and Ontario, Canada.

## LAI Kai Ming, Dominic

Non-executive Director

Lai Kai Ming, Dominic, aged 61, has been a Non-executive Director of the Company since 4 March 2009 and Alternate Director to Mr Frank John Sixt, a Non-executive Director of the Company, since 11 May 2010. He is an executive director of HWL and a director of HTAL. In addition, he is a director of HIL, which together with HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also alternate director to directors of HTAL. He was previously deputy chairman, an executive director and alternate director to director of HHR (now known as China Oceanwide Holdings Limited). He has over 30 years of management experience in different industries. He holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

## CHEONG Ying Chew, Henry

Independent Non-executive Director

Cheong Ying Chew, Henry, aged 67, has been an Independent Non-executive Director of the Company since 3 April 2009 and Alternate Director to Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director of the Company, since 8 March 2010. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of CKH, CKHH, CKI, CNNC International Limited, Creative Energy Solutions Holdings Limited, Greenland Hong Kong Holdings Limited, New World Department Store China Limited, Skyworth Digital Holdings Limited and TOM Group. He is also an independent director of BTS Group Holdings Public Company Limited, and an executive director and deputy chairman of Worldsec Limited. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is a member of the Securities and Futures Appeals Tribunal in Hong Kong and the Advisory Committee of the Securities and Futures Commission. He holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

## LAN Hong Tsung, David, GBS, ISO, JP

Independent Non-executive Director

Lan Hong Tsung, David, aged 74, has been an Independent Non-executive Director of the Company since 3 April 2009. He is Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is currently chairman of David H T Lan Consultants Limited. He is an independent non-executive director of CKI, ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust), ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) and SJM Holdings Limited. He is also president of The International Institute of Management Limited, senior advisor of Mitsui & Company (Hong Kong) Limited, supervisor of Nanyang Commercial Bank (China), Limited and an independent non-executive director of Nanyang Commercial Bank, Limited. He was previously an independent non-executive director of HHR (now known as China Oceanwide Holdings Limited). Dr Lan was Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region till his retirement in July 2000. He had served as a civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal on 1 July 2000. He was a member of the 10th and 11th sessions of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr Lan is a Chartered Secretary, and a Fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He received his Bachelor of Arts degree from the University of London, the United Kingdom and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford. Dr Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University and Visiting Professorships of Bulacan State University and Tarlac State University.

## WONG Yick Ming, Rosanna, DBE, JP

Independent Non-executive Director

Wong Yick Ming, Rosanna, aged 62, has been an Independent Non-executive Director of the Company since 3 April 2009. She is a member of the Audit Committee of the Company. She is executive director of The Hong Kong Federation of Youth Groups. She is a member of the 12th session of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. She is also a member of The Hong Kong University of Science and Technology Business School Advisory Council. With The University of Hong Kong, she is an elected member of the Council and an ex-officio member of the Court. She is an independent non-executive director of CKH, CKHH and The Hongkong and Shanghai Hotels, Limited. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, she is non-executive chairman of the Advisory Committee of The Hongkong Bank Foundation, a director of The Hongkong and Shanghai Banking Corporation Limited and The Committee of Youth Activities in Hong Kong Limited, honorary chairman of World Vision Hong Kong and a global advisor to Mars, Incorporated. She holds a Doctor of Philosophy degree in Sociology from the University of California (Davis), the United States of America and has been awarded Honorary Doctorates from The Chinese University of Hong Kong, The Hong Kong Polytechnic University, The University of Hong Kong, The Hong Kong Institute of Education and the University of Toronto in Canada.

## MA Lai Chee, Gerald

Alternate Director

Ma Lai Chee, Gerald, aged 47, has been Alternate Director to Mr Lai Kai Ming, Dominic, a Non-executive Director of the Company, since 9 June 2009. He joined CKH in February 1996 and is currently a member of executive committee and general manager of corporate business development department. CKH is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is a non-executive director of ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust) and alternate director to a director of ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust). He has over 25 years of experience in banking, investment and portfolio management, real estate development and marketing as well as managing IT related ventures and services. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

## Changes in Information of Directors

Pursuant to Rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in information of Directors of the Company subsequent to the date of the 2014 Interim Report are set out below:

| Name of Director | Details of changes |
|---|---|
| Fok Kin Ning, Canning | Resigned as an executive director and ceased to act as chairman of HHR[(1)] (now known as China Oceanwide Holdings Limited) on 19 December 2014<br>Appointed as a non-executive director of CKHH[(2)] on 9 January 2015 |
| Chow Woo Mo Fong, Susan | Resigned as an executive director of HKEIM (as trustee-manager of HK Electric Investments[(3)]) on 28 November 2014<br>Resigned as an executive director of HKEIL[(3)] on 28 November 2014<br>Appointed as alternate director to Mr Fok Kin Ning, Canning, chairman and an executive director of HKEIM (as trustee-manager of HK Electric Investments), on 28 November 2014<br>Appointed as alternate director to Mr Fok Kin Ning, Canning, chairman and an executive director of HKEIL, on 28 November 2014<br>Resigned as an executive director of HHR (now known as China Oceanwide Holdings Limited) on 19 December 2014 |
| Frank John Sixt | Appointed as a non-executive director of CKHH on 9 January 2015 |
| Lai Kai Ming, Dominic | Resigned as an executive director and alternate director to Mrs Chow Woo Mo Fong, Susan, a then executive director, and ceased to act as deputy chairman of HHR (now known as China Oceanwide Holdings Limited) on 19 December 2014 |
| Wong King Fai, Peter | Total emoluments decreased by HK$1,579,463 to HK$10,237,068 compared to 2013 |
| Cheong Ying Chew, Henry | Appointed as an independent non-executive director of Skyworth Digital Holdings Limited[(1)] on 1 January 2015<br>Appointed as an independent non-executive director of CKHH on 9 January 2015 |
| Lan Hong Tsung, David | Resigned as an independent non-executive director of HHR (now known as China Oceanwide Holdings Limited) on 19 December 2014 |
| Wong Yick Ming, Rosanna | Ceased to be a member of the Commission on Poverty of the Government of the Hong Kong Special Administrative Region on 1 December 2014<br>Ceased to be the chairman and appointed as the honorary chairman of World Vision Hong Kong on 17 December 2014<br>Appointed as an independent non-executive director of CKHH on 9 January 2015 |

*Notes:*

*(1) A company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited*

*(2) A company whose shares are proposed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2015*

*(3) The share stapled units jointly issued by HK Electric Investments and HKEIL are listed on the Main Board of The Stock Exchange of Hong Kong Limited.*

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

As at 31 December 2014, 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 SFO) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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 Company's own Model Code for Securities Transactions by Directors (the "HTHKH Securities 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 Depositary Shares | Approximate % of shareholding |
|---|---|---|---|---|---|
| Fok Kin Ning, Canning | Interest of a controlled corporation | Corporate interest | 1,202,380[(1)] | - | 0.0250% |
| Lui Dennis Pok Man | Beneficial owner | Personal interest | 9,100,000 | - | 0.1888% |
| 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[(2)] | 0.0053% |

*Notes:*

(1) Such ordinary shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

(2) 17,000 American Depositary 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 2014, the following interests:

(i) corporate interests in 6,010,875 ordinary shares, representing approximately 0.141% of the then issued shares, in HWL;

(ii) 5,100,000 ordinary shares, representing approximately 0.038% of the then issued share capital, in HTAL comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively; and

(iii) corporate interests in (a) a nominal amount of US$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; and (b) 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 2014, family interests in 22,000 ordinary shares, representing approximately 0.0005% of the then issued shares, in HWL held by his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2014, personal interests in 190,000 ordinary shares, representing approximately 0.004% of the then issued shares, in HWL.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2014, personal interests in (i) 200,000 ordinary shares, representing approximately 0.005% of the then issued shares, 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 2014, personal interests in 50,000 ordinary shares, representing approximately 0.001% of the then issued shares, in HWL.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2014, personal interests in 20,000 ordinary shares, representing approximately 0.0005% of the then issued shares, in HWL.

Save as disclosed above, as at 31 December 2014, 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 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 HTHKH Securities Code, to be notified to the Company and the Stock Exchange.

## Directors' Interests in Competing Business

During the year ended 31 December 2014, 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 or its subsidiaries conducted during the same year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

| Name of Director | Name of company | Nature of interests | Nature of competing business |
|---|---|---|---|
| Wong King Fai, Peter | HGC GlobalCentre Limited ("HGCGC")* | Director | Data centre business |
| Chow Woo Mo Fong, Susan | HGCGC | Director | Data centre business |
| Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic) | HGCGC | Director | Data centre business |
| | Beijing Net-Infinity Technology Development Company Limited | Director | Internet data centre business |

* *A joint venture which is indirectly owned as to 50% by the Company*

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.

During the year, Mr Fok Kin Ning, Canning, being a Non-executive Director, was an executive director of HWL and a director of certain of its subsidiaries which are engaged in telecommunications businesses. Mrs Chow Woo Mo Fong, Susan, Mr Frank John Sixt and Mr Lai Kai Ming, Dominic, all being Non-executive Directors, were executive directors of HWL and directors and/or alternate directors of certain of its subsidiaries which are engaged in telecommunications businesses. Mr Lui Dennis Pok Man, a Non-executive Director, was a director or alternate 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 (i) HWL and its subsidiaries (the "HWL Group") (excluding HTIL and its subsidiaries (the "HTIL Group") and the Group); (ii) the HTIL Group; and (iii) 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 included those of the HTIL Group following the privatisation of HTIL in 2010) comprised all the remaining countries of the world.

Save as disclosed above, as at the date of this report, none of the Directors or their respective close 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.

# Information on Senior Management

## Biographical Details of Senior Management

### TAN Yuen Chun, Jennifer

Chief Operating Officer

TAN Yuen Chun, Jennifer, aged 51, has been Chief Operating Officer of the Group since June 2014 and joined the Group in May 1996. Ms Tan has been finance director of Hutchison Telecommunications (Hong Kong) Limited ("HTHK") since 2000 and was appointed Chief Financial Officer of HTHK and Hutchison Global Communications Limited in August 2005. She then became Managing Director of fixed-line business of the Group in September 2012. Before joining the Group, Ms Tan gained extensive senior management experience with various Fortune 500 multinational corporations. She is a qualified accountant and holds a Master's degree in Business Administration from the University of Warwick in the United Kingdom. She is a fellow of several professional accounting associations. She has also completed The Cambridge-HKU Senior Executive Programme and Stanford Senior Executive Leadership Program. Ms Tan has more than 18 years of experience in telecommunications.

### CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 40, has been Chief Financial Officer of the Group since September 2012 and joined the Hutchison Whampoa Limited ("HWL") group in November 2002. Ms Cheng is a qualified accountant with membership of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She also holds a Master of Science degree in Finance. Ms Cheng has more than 17 years of experience in accounting and finance for corporate and banking sectors.

### CHIANG Yung Hon, Byron

Chief Technology Officer (Fixed)

CHIANG Yung Hon, Byron, aged 49, has led the fixed-line network services and operations team since May 2009 and joined the Group in November 2003. Mr Chiang is responsible for network engineering, operations and product development aspects of fixed-line business. He holds a Bachelor of Science degree in Electronic & Electrical Engineering and has more than 25 years of experience in telecommunications.

### CHUNG Yiu Man, Daniel

Chief Technology Officer (Mobile)

CHUNG Yiu Man, Daniel, aged 47, has been Chief Technology Officer (Mobile) of the Group since joining in June 2008. Mr Chung is responsible for network engineering, operations and IT development aspects of mobile business. He holds a Master's degree in Business Administration and has more than 24 years of experience in telecommunications.

### HO Wai Ming

Chief Executive Officer – Macau (Mobile)

HO Wai Ming, aged 61, has been Chief Executive Officer – Macau (Mobile) of the Group since April 2008 and joined the Group in March 1994. Mr Ho is responsible for the mobile business in Macau. He holds a Bachelor of Science degree in Electrical Engineering and has more than 33 years of experience in telecommunications.

## KWOK Wing Pong, Andrew

International & Carrier Business Director

KWOK Wing Pong, Andrew, aged 54, has been International & Carrier Business Director of the Group since June 2014 and joined the Group in June 2002. Mr Kwok is responsible for international, carrier business and global development of mobile and fixed-line businesses. He also represents the Group in regional telecommunications alliance as one of the founding board members after his chairmanship. Mr Kwok has more than 34 years of experience in telecommunications.

## HO Wai Wing, Raymond

Corporate & Marketing Communications Director

HO Wai Wing, Raymond, aged 52, has been Corporate & Marketing Communications Director since June 2014 and joined the Group in May 2003. Prior to June 2014, Mr Ho was responsible for the sales and marketing aspects for consumer market segment of fixed-line business. Mr Ho is now dedicated to the corporate and marketing communications of the mobile and fixed-line business arms. He holds a Master's degree in Business Administration and has more than 30 years of experience in sales and marketing, 11 years of which were spent serving the Group.

## NG May Yuk, Frances

General Manager, Corporate Affairs

NG May Yuk, Frances, aged 54, has led the corporate affairs team since re-joining in 2009. Ms Ng is responsible for all corporate communications affairs. Prior to joining the Group, Ms Ng has extensive experience in major corporations in Hong Kong in the areas of publicity, promotion and public affairs projects. She holds a Master's degree in Business Administration and has more than 30 years of experience in public relations, 19 years of which were spent serving the Group.

## Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 50, has led the legal and regulatory team since September 2012 and re-joined the HWL group in December 2001. Mr Sanderson is responsible for legal and regulatory affairs. He holds a Bachelor of Laws degree and has more than 27 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India, 17 years of which were spent serving the HWL group.

## WONG Chong Sang, Edward

HR & Organisational Development Director

WONG Chong Sang, Edward, aged 51, has been HR & Organisational Development Director of the Group since January 2012 and joined the HWL group in April 2001. Mr Wong is responsible for human resources management, people and organisational development. He holds a Bachelor's degree in Business Administration and has more than 25 years of experience in human resources management.

# 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 2014.

## Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 137 to 138.

## Group Profit

The consolidated income statement is set out on page 79 and shows the profit of the Group for the year ended 31 December 2014.

## Dividends

An interim dividend of 4.25 HK cents per share was paid to shareholders on 4 September 2014.

The Directors recommend the declaration of a final dividend at the rate of 8.70 HK cents per share, payable on Wednesday, 27 May 2015 to those persons registered as shareholders of the Company on Friday, 15 May 2015, being the record date for determining the entitlement of shareholders 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 26 to the consolidated financial statements.

## Charitable Donations

Donations to charitable organisations by the Group during the year amounted to approximately HK$0.7 million (2013: HK$0.5 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 25 to the consolidated financial statements.

## Directors

The Board of Directors of the Company (the "Board") as at 31 December 2014 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, Dr 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 Dr 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 "Listing Rules"). The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 42 to 44.

## 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 and 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

On 30 December 2011, the Company and Hutchison International Limited ("HIL", a subsidiary of Hutchison Whampoa Limited ("HWL")) entered into a master agreement (the "HWL Master Agreement") for a three-year term from 1 January 2012, whereby HIL will procure relevant members of HWL and its subsidiaries (collectively, 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) 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 (the "Continuing Connected Transactions"):

(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; promotional items; collaboration on the development of video and radio programmes; dealership services; global procurement services; handset and other device supplies; and provision of guarantees; 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 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 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 continuing connected transactions for the Company under the Listing Rules.

The Company announced on 30 December 2011 that the annual caps of (a) the acquisition of the HWL Group Supplies by the Group for the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 amounted to HK$308 million, HK$359 million and HK$424 million respectively; and (b) the provision of the Group Supplies for the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 amounted to HK$250 million, HK$272 million and HK$293 million respectively.

The aggregate amounts attributed to (a) the acquisition of the HWL Group Supplies by the Group; and (b) the provision of the Group Supplies, for the year ended 31 December 2014 which are subject to the annual review requirements under the Listing Rules were approximately HK$235 million and HK$191 million respectively.

All the Independent Non-executive Directors of the Company have reviewed the Continuing Connected Transactions entered into by the Group during the year ended 31 December 2014 and confirmed that they were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements 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 nothing has come to their attention that causes them to believe that the Continuing Connected Transactions entered into by the Group during the year ended 31 December 2014 (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involved the provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) have exceeded the respective annual cap amounts as referred to in the announcement dated 30 December 2011.

The HWL Master Agreement expired on 31 December 2014.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2014 is contained in Note 33 to the consolidated financial statements. The transactions entered into with the HWL Group and the DoCoMo Group (as defined in Note 33 to the consolidated financial statements) as described in paragraph (b) to Note 33 to the consolidated financial statements all fall under the definition of "continuing connected transactions" under the Listing Rules, of which the sharing of services arrangement entered into with the HWL Group and all the transactions entered into with the DoCoMo Group are fully exempt from shareholders' approval, annual review and all disclosure requirements under Rules 14A.98 and 14A.76(1) of the Listing Rules respectively.

The Company has complied with the disclosure requirements 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 2014.

## Interests and Short Positions of Shareholders Discloseable under the Securities and Futures Ordinance

So far as is known to the Directors and Chief Executive of the Company, as at 31 December 2014, other than the interests and short positions of the Directors and Chief Executive of the Company as disclosed in the "Information on Directors" section, 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 Securities and Futures Ordinance ("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 of Hong Kong Limited (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[(1)] | |
| | (ii) | Interest of a controlled corporation | 512,961,149[(1)] | 65.01% |
| Hutchison Telecommunications Group Holdings Limited ("HTGHL") | | Interest of controlled corporations | 3,132,890,253[(1)] | 65.01% |
| Ommaney Holdings Limited ("OHL") | | Interest of controlled corporations | 3,132,890,253[(1)] | 65.01% |
| HIL | | Interest of controlled corporations | 3,132,890,253[(1)] | 65.01% |
| HWL | | Interest of controlled corporations | 3,132,890,253[(1)] | 65.01% |
| Cheung Kong (Holdings) Limited ("CKH") | | Interest of controlled corporations | 3,184,982,840[(2)] | 66.09% |
| Li Ka-Shing Unity Trustee Company Limited ("TUT1") | | Trustee | 3,184,982,840[(3)] | 66.09% |
| Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") | | Trustee and beneficiary of a trust | 3,184,982,840[(4)] | 66.09% |
| Li Ka-Shing Unity Trustcorp Limited ("TDT2") | | Trustee and beneficiary of a trust | 3,184,982,840[(4)] | 66.09% |
| Li Ka-shing ("Mr Li") | (i) | Founder of discretionary trusts and interest of controlled corporations | 3,185,136,120[(5)] | |
| | (ii) | Interest of controlled corporations | 403,979,499[(6)] | 74.48% |
| Mayspin Management Limited ("Mayspin") | | Interest of controlled corporations | 403,979,499[(7)] | 8.38% |
| Yuda Limited ("Yuda") | | Beneficial owner | 350,527,953[(8)] | 7.27% |

*Notes:*

*(1) 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.*

*(2) Certain subsidiary companies of CKH together hold one-third or more of the issued shares 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.*

*(3) 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 shares 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.*

*(4) Each of TDT1 as trustee of a discretionary trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2") holds units in UT1 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children and Mr Li Tzar Kai, Richard. 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.*

*(5) 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 and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of both of Li Ka-Shing Unity Holdings Limited and Li Ka-Shing Castle Holdings Limited 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.*

*(6) Such ordinary shares were held by companies of which Mr Li is interested in the entire issued share capital.*

*(7) 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.*

*(8) 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.*

## (II) Interests and short positions of other persons 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 |
|---|---|---|---|
| The Capital Group Companies, Inc. | Interest of controlled corporations | 246,038,000 | 5.11% |

Save as disclosed above and so far as is known to the Directors and Chief Executive of the Company, as at 31 December 2014, there was no other person (other than the Directors and 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.

## 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 for the grant of options to acquire ordinary shares of HK$0.25 each in the share capital of the Company. The Share Option Scheme is valid and effective during the period commencing on 21 May 2009 and ending on 20 May 2019, being the date falling 10 years from the date on which the Share Option Scheme became unconditional. The Share Option Scheme has a remaining term of approximately four years as at the date of this report. A summary of the Share Option Scheme is as follows:

(1) 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.

(2) 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 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;

(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.

(3) A nominal consideration of HK$1.00 is payable on acceptance to an offer for the grant of a share option.

(4) Unless otherwise determined by the Directors and stated in the offer of 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.

(5) The subscription price for the shares of the Company 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 business 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 business days immediately preceding the date of the offer of grant of the share options which must be a business day; and (iii) the nominal value of share of the Company.

(6) The maximum number of shares of the Company which may be allotted and issued pursuant to the Share Option Scheme is as follows:

(a) The maximum number of shares of the Company 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 8 May 2009 (the "Listing Date"), the date on which the shares of the Company were first listed on the Stock Exchange (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 (including the share options granted but yet to be exercised) was 476,884,620, representing approximately 9.90% of the shares of the Company in issue as at that date;

(c) Subject to sub-paragraph (6)(a) above and without prejudice to sub-paragraph (6)(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 (6)(a) above and without prejudice to sub-paragraph (6)(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 (6)(c) above to participants specifically identified by the Company before such approval is sought; and

(e) The total number of shares of the Company issued and to be issued upon exercise of the share options granted to each participant under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders in a general meeting of the Company (with such participant and his associates (as defined in the Listing Rules) abstaining from voting) in compliance with the requirements 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.

Particulars of share options outstanding under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2014 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2014 were as follows:

| Category of participants | Date of grant of share Options[1] | Number of share options held at 1 January 2014 | Granted during 2014 | Exercised during 2014 | Lapsed/ cancelled during 2014 | Number of share options held at 31 December 2014 | 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$ | Price of share of the Company at the exercise date of share options HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Employees in aggregate | 1.6.2009 | 200,000 | - | - | - | 200,000 | 1.6.2009 to 31.5.2019 (both dates inclusive) | 1.00 | 0.96 | N/A |
| Total | | 200,000 | - | - | - | 200,000 | | | | |

*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.*

As at the date of this report, the Company had 200,000 share options outstanding under the Share Option Scheme, which represented approximately 0.0042% 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 2014.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2014 was the Company or any of its subsidiaries or its holding company or a subsidiary of the holding company of the 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 the 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 has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed 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 | 62% |
| Five largest suppliers combined | 70% |

As at 31 December 2014,

(a) Mrs Chow Woo Mo Fong, Susan, a Non-executive Director, held 242,303 shares in HSBC Holdings plc ("HSBC Holdings"), the holding company of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") which was one of the five largest suppliers of the Group;

(b) Mr Wong King Fai, Peter, Executive Director, held 4,800 shares in HSBC Holdings;

(c) Mr Cheong Ying Chew, Henry, an Independent Non-executive Director, held 3,200 shares in HSBC Holdings;

(d) Dr Lan Hong Tsung, David, an Independent Non-executive Director, held 102,835 shares in HSBC Holdings;

(e) Dr Wong Yick Ming, Rosanna, an Independent Non-executive Director, was a director of HSBC; and

(f) Mr Li Ka-shing, a substantial shareholder of the Company, indirectly held 275,600 shares in Hang Seng Bank Limited which was one of the five largest suppliers of the Group.

Save as disclosed above, none of the Directors, their close 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 25.12% of the issued share capital of the Company was held by the public.

## Auditor

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

By Order of the Board

**Edith SHIH**
Company Secretary

Hong Kong, 16 February 2015

# Corporate Governance Report

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (together, the "Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted and applied corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal controls, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company has complied throughout the year ended 31 December 2014 with all code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the nomination committee. The reasons for deviation are explained below in this report.

## The Board

### Corporate strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

### Role of the Board

The Board, which is accountable to shareholders for the long-term performance of the Company, is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interests of the Company.

The Board, led by the Chairman (Non-executive), Mr Fok Kin Ning, Canning, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company ("Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer & Group Managing Director.

### Board composition

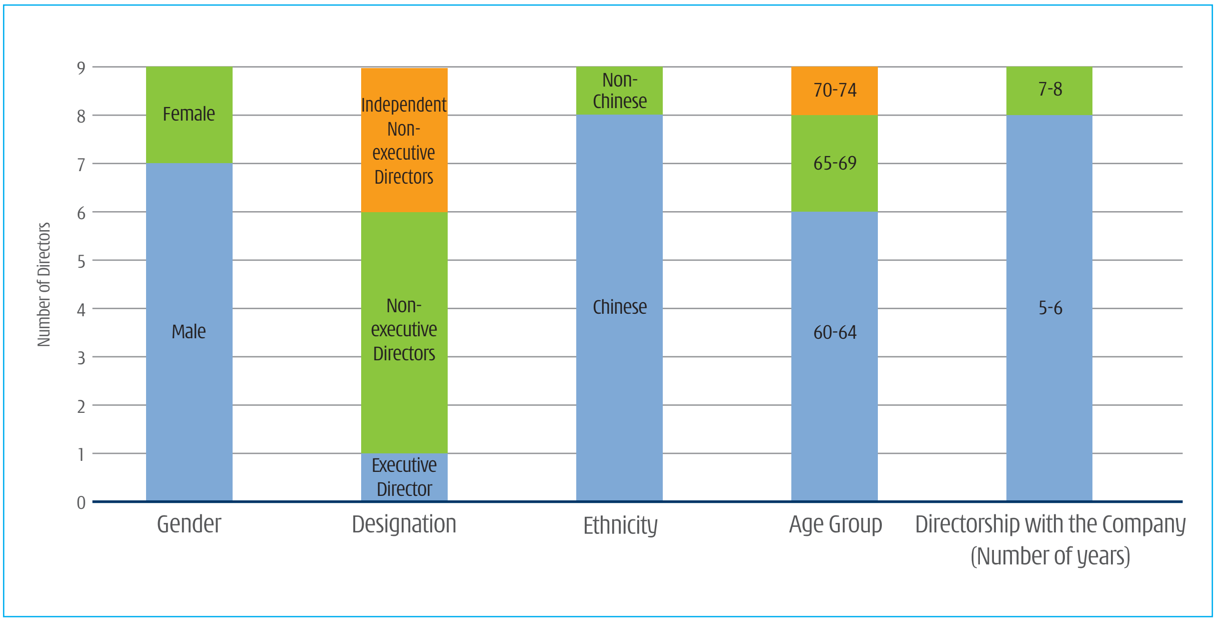
As at 31 December 2014, the Board comprised nine Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer & Group Managing Director, three Non-executive Directors and three Independent Non-executive Directors.

The Board has adopted a policy which recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

Board appointment has been, and will continue to be, made based on merit that complements and expands the skills, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

The Board diversity policy is available on the website of the Company (www.hthkh.com). The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

The following is a chart showing the diversity profile of the Board:




Biographical details of the Directors are set out in the "Information on Directors" section on pages 42 to 44 and on the website of the Company. A list setting out the names of the Directors and their roles and functions is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

The Board has assessed the independence of all the Independent Non-executive Directors of the Company and considers all of them to be independent having regard to (i) their annual confirmation on independence as required under the Listing Rules; (ii) the absence of involvement in the daily management of the Company; and (iii) the absence of any relationships or circumstances which would interfere with the exercise of their independent judgment. Throughout the year, the number of Independent Non-executive Directors on the Board meets the one-third requirement under the Listing Rules.

## Chairman, Deputy Chairman and Executive Director

The roles of the Chairman and the Deputy Chairman are separate from that of the Chief Executive Officer & Group Managing Director. Such division of responsibilities reinforces the independence and accountability of these Directors.

The Chairman, Mr Fok Kin Ning, Canning, assisted by the Deputy Chairman, Mr Lui Dennis Pok Man, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Company Secretary. With the support of the Executive Director and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the affairs of the Board so as to contribute to the effective functioning of the Board. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in this report.

The Chief Executive Officer & Group Managing Director, Mr Wong King Fai, Peter, is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the businesses of the Group, the Chief Executive Officer & Group Managing Director attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Chief Operating Officer, the Chief Financial Officer and the executive management team of each core business division, the Chief Executive Officer & Group Managing Director presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Chief Financial Officer, the Chief Executive Officer & Group Managing Director sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors to keep them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

## Board processes

The Board meets regularly, and at least four times a year with meeting dates scheduled prior to the beginning of the year. Between scheduled meetings, senior management of the Group provides to Directors, on a regular basis, monthly updates and other information with respect to the performance, and business activities and development of the Group. Throughout the year, Directors participate in the deliberation and approval of routine and operational matters of the Company by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the Company Secretary or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Articles of Association of the Company and the Listing Rules, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

The Company held four Board meetings in 2014 with an average of approximately 97% attendance. All Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company held on 13 May 2014.

| Name of Director | Attended/ eligible to attend Board Meeting | Attended 2014 Annual General Meeting |
|---|---|---|
| **Chairman and Non-executive Director** | | |
| Fok Kin Ning, Canning | 4/4 | √ |
| **Deputy Chairman and Non-executive Director** | | |
| Lui Dennis Pok Man | 4/4 | √ |
| **Executive Director** | | |
| Wong King Fai, Peter | 4/4 | √ |
| *(Chief Executive Officer & Group Managing Director)* | | |
| **Non-executive Directors** | | |
| Chow Woo Mo Fong, Susan | 4/4 | √ |
| Frank John Sixt | 3/4 * | √ |
| Lai Kai Ming, Dominic | 4/4 | √ |
| **Independent Non-executive Directors** | | |
| Cheong Ying Chew, Henry | 4/4 | √ |
| Lan Hong Tsung, David | 4/4 | √ |
| Wong Yick Ming, Rosanna | 4/4 | √ |

* *Due to commitment overseas, Mr Frank John Sixt has arranged for his alternate to attend the Board meeting held in February 2014, attendance of which has not been counted in the above attendance record.*

In addition to Board meetings, the Chairman holds regular meetings with Executive Director and at least two meetings with Non-executive Directors (including Independent Non-executive Directors) annually without the presence of Executive Director. The Non-executive Directors (including Independent Non-executive Directors) freely provide their independent opinion to the Board.

Any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, or in the case of an additional appointment, until the next following annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office by rotation and re-election by shareholders at annual general meetings at least about once every three years. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. In addition, Non-executive Directors are appointed for an initial term ended 31 December 2010 and such appointments thereafter are automatically renewed for successive 12-month periods, subject to re-election in accordance with the provisions of the Listing Rules and the Articles of Association of the Company.

No Director has a service contract with the Company which is not terminable by the Company within one year and without payment of compensation (other than statutory compensation).

Shareholders may propose a candidate for election as Director in accordance with the Articles of Association of the Company. The procedures for such proposal are posted on the website of the Company.

## Training and commitment

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the businesses of the Group by senior executives.

The Company arranges and provides Continuous Professional Development ("CPD") training and relevant reading materials to Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed company director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on the relevant topics also counts toward CPD training.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2014 is summarised as follows, representing an average of approximately 16 hours by each Director in 2014.

| | Areas | | |
|---|---|---|---|
| **Name of Director** | **Legal, regulatory and corporate governance** | **Businesses of the Group** | **Directors' roles, functions and duties** |
| **Chairman and Non-executive Director** | | | |
| Fok Kin Ning, Canning | √ | √ | √ |
| **Deputy Chairman and Non-executive Director** | | | |
| Lui Dennis Pok Man | √ | √ | √ |
| **Executive Director** | | | |
| Wong King Fai, Peter *(Chief Executive Officer & Group Managing Director)* | √ | √ | √ |
| **Non-executive Directors** | | | |
| Chow Woo Mo Fong, Susan | √ | √ | √ |
| Frank John Sixt | √ | √ | √ |
| Lai Kai Ming, Dominic | √ | √ | √ |
| Ma Lai Chee, Gerald (Alternate to Lai Kai Ming, Dominic) | √ | √ | √ |
| **Independent Non-executive Directors** | | | |
| Cheong Ying Chew, Henry | √ | √ | √ |
| Lan Hong Tsung, David | √ | √ | √ |
| Wong Yick Ming, Rosanna | √ | √ | √ |

Confirmation is received from the Directors that they have provided sufficient time and attention to the affairs of the Group. Besides, Directors disclose to the Company their interests as director and other office in other public companies and organisations in a timely manner and update the Company on any subsequent changes.

## Securities transactions

The Board has adopted its own Model Code for Securities Transactions by Directors (the "HTHKH Securities Code") regulating Directors' dealings in securities (Group and otherwise), on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. The HTHKH Securities Code has been updated to reflect the amendments to the Listing Rules which took effect in July 2014. In response to specific enquiries made, all Directors confirmed that they have complied with the HTHKH Securities Code in their securities transactions throughout 2014.

## Board Committees

The Board is supported by two permanent board committees: the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference for these Committees, which have been adopted by the Board, are available on the websites of the Company and HKEx. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Chief Executive Officer & Group Managing Director.

# Company Secretary

The Company Secretary, Ms Edith Shih, is accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive Board meeting agendas and papers. Minutes of all meetings of the Board and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Board Committees, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors or Board Committee members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments of relevance to the Group and that it takes these into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of importance and interest and disseminate reference materials to Directors for their information.

The Company Secretary is also directly responsible for the compliance of the Group with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Buy-backs, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests and dealings in securities of the Company, connected transactions and price-sensitive/inside information and ensures that the standards and disclosures requirements of the Listing Rules are complied with and, where required, reported in the interim and annual reports of the Company.

The appointment and removal of the Company Secretary is subject to Board approval. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Ms Shih has been appointed as the Company Secretary of the Company since inception and has day-to-day knowledge of the affairs of the Group. The Company Secretary confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## Accountability and Audit

### Financial reporting

The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year period end.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 77 and 78 which acknowledges the reporting responsibility of the auditor of the Group.

#### *Annual report and financial statements*

The Directors acknowledge their responsibility for the preparation of the annual report and financial statements of the Company, ensuring that the financial statements give a true and fair presentation in accordance with the applicable accounting standards and disclosure requirements of the Hong Kong Companies Ordinance.

#### *Accounting policies*

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgments and estimates that are reasonable in accordance with the applicable accounting standards.

#### *Accounting records*

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the accounting policies of the Group.

#### *Safeguarding assets*

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

#### *Going concern*

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

### Audit Committee

The Audit Committee comprises three Independent Non-executive Directors who possess the relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Cheong Ying Chew, Henry with Dr Lan Hong Tsung, David and Dr Wong Yick Ming, Rosanna as members.

The Audit Committee held four meetings in 2014 with 100% attendance.

| Name of Member | Attended/eligible to attend |
|---|---|
| Cheong Ying Chew, Henry *(Chairman)* | 4/4 |
| Lan Hong Tsung, David | 4/4 |
| Wong Yick Ming, Rosanna | 4/4 |

In 2014, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties of the CG Code.

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditor, review the preliminary interim and annual results, and interim and annual financial statements of the Group, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of internal audit, engage independent legal and other advisers and conduct investigations as it determines to be necessary.

Procedures for Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters have been adopted by the Audit Committee and are posted on the website of the Company.

The Audit Committee meets with the Chief Financial Officer and other senior management of the Group from time to time for the purposes of reviewing the interim and final results, the interim and annual reports, and other financial, internal control, corporate governance and risk management matters of the Group. It considers and discusses the reports and presentations of Management, the internal and external auditors of the Group, with a view of ensuring that the consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards. It also meets at least four times a year with the external auditor of the Group, PricewaterhouseCoopers ("PwC"), to consider the reports of PwC on the scope, strategy, progress and outcome of its independent review of the interim financial report and its annual audit of the consolidated financial statements. In addition, the Audit Committee holds regular private meetings with the external auditor, the Chief Financial Officer and internal auditor separately without the presence of Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It receives and considers the presentations of Management in relation to the reviews on the effectiveness of the internal control systems of the Group and adequacy of resources, qualifications and experience of staff in the accounting and financial reporting function of the Group, as well as their training programmes and budgets. In addition, the Audit Committee reviews with the internal auditor the work plans for its audits together with its resource requirements and considers the internal audit reports to the Audit Committee on the effectiveness of internal controls in the business operations of the Group. Further, it receives the reports from the Company Secretary on the material litigation proceedings and compliance status of the Group on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

## External auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year a letter from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The policy of the Group regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – include audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditor.

- Audit related services – include services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the pension plans of the Group, accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditor is to be invited to undertake those services that it must, or is best placed, to undertake in its capacity as auditor.

- Taxation related services – include all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditor where it is best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – include, for example, financial due diligence, review of actuarial reports and calculations, risk management diagnostics and assessments, and non-financial systems consultations. The external auditor is also permitted to assist Management and the internal auditor with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditor is not eligible to provide services involving general consulting work.

An analysis of the remuneration to PwC is shown in Note 8 to the consolidated financial statements. During the year ended 31 December 2014, the fees to PwC, amounting to HK$13 million, were primarily for audit services and those for non-audit services amounted to HK$1 million, or 7% of the total fees.

## Internal Control, Corporate Governance, Legal and Regulatory Control, and Group Risk Management

The Board has overall responsibility for the system of internal control, corporate governance compliance, and assessment and management of risks of the Group.

In meeting its responsibility, the Board seeks to increase risk awareness across the business operations of the Group and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Director and the Board and approval of detailed operational and financial reports, budgets and plans provided by management of the business operations, review by the Board of actual results against budgets, review by the Audit Committee of the ongoing work of internal audit and risk management, as well as regular business reviews by the Executive Director and the executive management team of each core business division.

On behalf of the Board, the Audit Committee reviews regularly the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the business objectives of the Group, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

## Internal control environment and systems

Executive directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly management of each business is accountable for its conduct and performance.

The internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Director.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management teams and the Executive Director as part of the five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, the Chief Financial Officer and finance managers of the business operations have monthly meetings to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations and the finance department oversees the investment and lending activities of the Group. Treasury reports on cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Chief Financial Officer has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Chief Financial Officer or Executive Director are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The internal auditor, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the business operations of the Group. Using risk assessment methodology and taking into account the dynamics of the activities of the Group, internal audit derives its yearly audit plan which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the objectives of the plan are met. Internal audit is responsible for assessing the internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chief Executive Officer & Group Managing Director, the Chief Operating Officer, the Chief Financial Officer and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the external auditor so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by internal audit includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the internal auditor and, as appropriate, to the Chief Financial Officer. These reports are reviewed and appropriate actions are taken.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control systems of the Group for the year ended 31 December 2014 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate. In addition, it has reviewed and is satisfied with the adequacy of resources, qualifications and experience of the staff of the accounting and financial reporting function of the Group, and their training programmes and budget.

## Corporate governance

The Board is entrusted with the overall responsibility of developing and maintaining sound and effective corporate governance within the Group and is committed to ensuring that an effective governance structure is put in place to continuously review and improve the corporate governance practices within the Group in light of the evolving operating environment and regulatory requirements.

Under its terms of reference, the Audit Committee has been delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. To assist the Audit Committee in fulfilling its responsibilities, a governance working group chaired by a Director comprising representatives from key departments of the Company has been set up to continuously examine the corporate governance structure of the Group, provide updates, identify emerging matters of compliance, structure appropriate compliance mechanisms and monitor compliance fulfillment on an ongoing basis.

The Audit Committee has reviewed the compliance status, and is satisfied that the Company has complied throughout the year with all code provisions of the CG Code, other than those in respect of the nomination committee.

## Legal and regulatory

The legal department has the responsibility of safeguarding the legal interests of the Group. It monitors the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising management of legal and commercial issues of concern. In addition, the legal department is responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings to relevant regulatory and/or government authorities on regulatory issues and consultations. The legal department reports to the group legal department of the holding company of the Group on all material legal, regulatory and corporate secretarial matters and it determines and approves in conjunction with the group legal department of the holding company of the Group the engagement of external legal advisors, ensuring the requisite professional standards are adhered to as well as most cost effective services are rendered. Further, the legal department organises and holds continuing education seminars/conferences on legal and regulatory matters for Directors, business executives and the legal team.

## Group risk management

The Chief Executive Officer & Group Managing Director and the general manager of risk management have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The general manager of risk management, working with business operations, is responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting. Directors and officers liability insurance is also in place to protect Directors and officers of the Group against their potential legal liabilities.

# Remuneration of Directors and Senior Management

## Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by Dr Lan, an Independent Non-executive Director with Chairman, Mr Fok and Mr Cheong, an Independent Non-executive Director as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year to determine the remuneration package of Directors and senior management of the Group. Remuneration matters are also considered and approved by way of written resolutions and additional meetings where warranted.

The Remuneration Committee held one meeting in 2014 with 100% attendance.

| Name of Member | Attended/eligible to attend |
|---|---|
| Lan Hong Tsung, David *(Chairman)* | 1/1 |
| Fok Kin Ning, Canning | 1/1 |
| Cheong Ying Chew, Henry | 1/1 |

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy of the Group. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies for all Directors and senior executives of the Group. Whilst the Board retains its power to determine the remuneration of Non-executive Directors, the responsibility for reviewing and determining the remuneration package of individual Executive Director and senior management of the Group is delegated to the Remuneration Committee.

During the year, the Remuneration Committee reviewed background information on market data (including economic indicators, statistics and the Remuneration Bulletin), the business activities and human resources issues, and headcount and staff costs of the Group. It also reviewed and approved the 2015 director's fees for Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. Prior to the end of the year, the Committee reviewed and approved the year end bonus and 2015 remuneration package of the Executive Director and senior executives of the Group. The Executive Director does not participate in the determination of his own remuneration.

## Remuneration policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

## 2014 remuneration

Directors' emoluments comprise payments to Directors from the Group. The emoluments of each of the Directors exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each Director in 2014 were as follows:

| Name of Director | Director's fees HK$ millions | Basic salaries, allowances and benefits-in-kind HK$ millions | Bonuses HK$ millions | Provident fund contributions HK$ millions | Inducement or compensation fees HK$ millions | Total emoluments HK$ millions |
|---|---|---|---|---|---|---|
| Fok Kin Ning, Canning[(1)(4)(5)] | 0.09 | – | – | – | – | 0.09 |
| Lui Dennis Pok Man[(1)(5)] | 0.07 | – | – | – | – | 0.07 |
| Wong King Fai, Peter[(5)] | 0.07 | 3.51 | 6.40 | 0.26 | – | 10.24 |
| Chow Woo Mo Fong, Susan[(1)(5)] | 0.07 | – | – | – | – | 0.07 |
| Frank John Sixt[(1)(5)] | 0.07 | – | – | – | – | 0.07 |
| Lai Kai Ming, Dominic[(1)] | 0.07 | – | – | – | – | 0.07 |
| Cheong Ying Chew, Henry[(2)(3)(4)] | 0.16 | – | – | – | – | 0.16 |
| Lan Hong Tsung, David[(2)(3)(4)] | 0.16 | – | – | – | – | 0.16 |
| Wong Yick Ming, Rosanna[(2)(3)] | 0.14 | – | – | – | – | 0.14 |
| Total | 0.90 | 3.51 | 6.40 | 0.26 | – | 11.07 |

*Notes:*

*(1) Non-executive Director*

*(2) Independent Non-executive Director*

*(3) Member of the Audit Committee*

*(4) Member of the Remuneration Committee*

*(5) Directors' fees received by these Directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.*

The remuneration to the members of senior management by bands in 2014 is set out below:

| Remuneration bands | Number of individuals |
|---|---|
| HK$1,500,001 to HK$2,000,000 | 1 |
| HK$2,000,001 to HK$2,500,000 | 3 |
| HK$2,500,001 to HK$3,000,000 | 3 |
| HK$3,000,001 to HK$3,500,000 | 1 |
| HK$4,000,001 to HK$4,500,000 | 1 |
| HK$5,500,001 to HK$6,000,000 | 1 |

## Code of Ethics

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is required to undertake to adhere to the Code of Ethics of the Group, and is expected to achieve the highest standards set out in the Code of Ethics including avoiding conflict of interest, discrimination or harassment and bribery and corruption etc. Employees are required to report any non-compliance with the Code of Ethics to Management.

## Relationship with Shareholders and Other Stakeholders

The Group actively promotes investor relations and communication with the investment community throughout the year. Through the Chief Executive Officer & Group Managing Director, the Chief Financial Officer and the Investor Relations Department, the Group responds to requests for information and queries from the investment community including shareholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. A policy on shareholders' communication, which is available on the website of the Company, has been adopted and is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is published on the websites of the Company and HKEx. Moreover, additional information on the Group is available to shareholders and stakeholders through the Investor Relations page on the website of the Company.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to article 58 of the Articles of Association of the Company, any shareholder holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings of the Company has statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders, by sending the Board or the Company Secretary at the principal place of business a written request for such general meetings, duly signed by the shareholders concerned together with the proposed agenda items and such meeting shall be held within two months of the deposit of such requisition. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Hong Kong Share Registrar of the Company. The results of the poll are published on the websites of the Company and HKEx. In addition, regular updated financial, business and other information on the Group is made available on the website of the Company for shareholders and stakeholders.

The latest shareholders' meeting of the Company was the 2014 Annual General Meeting (the "AGM"), which was held on 13 May 2014 at Harbour Grand Kowloon, and attended by PwC and all Directors, including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of 100%. The Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from so doing. Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 13 May 2014 are set out below:

| Resolutions proposed at the AGM | | Percentage of votes |
|---|---|---|
| 1 | Adoption of the audited financial statements, the report of the Directors and the report of the Auditor for the year ended 31 December 2013 | 99.99% |
| 2 | Declaration of a final dividend | 99.99% |
| 3(a) | Re-election of Mr Fok Kin Ning, Canning as a Director | 94.44% |
| 3(b) | Re-election of Mr Lai Kai Ming, Dominic as a Director | 99.13% |
| 3(c) | Re-election of Mr Cheong Ying Chew, Henry as a Director | 94.60% |
| 3(d) | Authorisation of the Board of Directors to fix the Directors' remuneration | 99.99% |
| 4 | Re-appointment of PricewaterhouseCoopers as the auditor and authorisation of the Board of Directors to fix the auditor's remuneration | 99.99% |
| 5 | Granting of a general mandate to the Directors to issue additional shares in the Company | 87.63% |
| 6 | Granting of a general mandate to the Directors to repurchase the shares of the Company | 99.99% |
| 7 | Extension of the general mandate to the Directors to issue additional shares of the Company | 87.42% |
| 8 | Approval of the amendments to the Articles of Association of the Company | 99.98% |

At the AGM, a special resolution was passed to amend the Articles of Association of the Company, inter alia, to (i) empower the Directors to call for postponement of general meeting in the event that a black rainstorm warning or a gale warning is in force on the originally scheduled date of such general meeting; (ii) allow the Company to hold general meetings in more than one location using any technology that enables the shareholders to listen, speak and vote at the general meetings; (iii) accept the result of poll as recorded in the scrutineers' certificate to be the resolution of the general meeting at which the poll is demanded and conclusive evidence of that fact without further proof; (iv) provide flexibility for return of an instrument of proxy by various means including by electronic means and to prescribe the period in various situations for the return of an instrument of proxy; (v) clarify the place of a meeting of the Directors as the place where the largest group of Directors participating is assembled or, if there is no such group, where the chairman of the meeting then is; (vi) provide flexibility to the Directors (or their alternate Directors) to signify their agreement to, in place of signing, resolutions in writing of the Directors under certain specified procedures; (vii) align with effect from 1 July 2014 the definitions of "connected person" and "associate" and the use thereof with the amendments to the Listing Rules; and (viii) update the article relating to the restrictions on the making of loans to directors and their associates so as to bring such article in line with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as required under the Listing Rules, and for house-keeping purposes including addition of new definitions to improve clarity to the Articles of Association of the Company generally. All resolutions put to shareholders at the AGM were passed. The results of the voting by poll were published on the websites of the Company and HKEx.

Other corporate information relating to the Company is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events for 2015 and public float capitalisation as at 31 December 2014.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationship. Comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Manager or the Company Secretary by mail to 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong or by e-mail at ir@hthkh.com.

## Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance ("ESG") responsibility and has established a working group chaired by a Director comprising representatives from key departments of the Company to spearhead the ESG activities of the Group. The working group focuses on initiatives related to stakeholders, employees, the environment, operating practices and the community. Details of the initiatives of the working group are set out on pages 36 to 41.

By Order of the Board

**Edith SHIH**
Company Secretary

Hong Kong, 16 February 2015

# Independent Auditor's Report

## To the shareholders of Hutchison Telecommunications Hong Kong Holdings Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 138, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 16 February 2015

# Consolidated Income Statement

For the year ended 31 December 2014

| | Note | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|---|
| Turnover | 5 | 16,296 | 12,777 |
| Cost of inventories sold | | (7,713) | (3,943) |
| Staff costs | 7 | (734) | (783) |
| Customer acquisition costs | | (678) | (800) |
| Depreciation and amortisation | | (1,321) | (1,335) |
| Other operating expenses | 8 | (4,492) | (4,577) |
| | | 1,358 | 1,339 |
| Interest income | 9 | 20 | 21 |
| Interest and other finance costs | 9 | (175) | (181) |
| Share of results of joint ventures | 18 | (35) | (12) |
| **Profit before taxation** | | 1,168 | 1,167 |
| Taxation | 10 | (205) | (77) |
| **Profit for the year** | | 963 | 1,090 |
| **Attributable to:** | | | |
| Shareholders of the Company | | 833 | 916 |
| Non-controlling interests | | 130 | 174 |
| | | 963 | 1,090 |
| **Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):** | | | |
| – basic | 11 | 17.29 | 19.01 |
| – diluted | 11 | 17.29 | 19.01 |

Details of interim dividend paid and proposed final dividend payable to shareholders of the Company are set out in Note 12. The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

| | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|
| **Profit for the year** | **963** | 1,090 |
| | | |
| **Other comprehensive income** | | |
| Item that will not be reclassified subsequently to income statement in subsequent periods: | | |
| – Remeasurements of defined benefit plans | **13** | 93 |
| Item that may be reclassified subsequently to income statement in subsequent periods: | | |
| – Currency translation differences | **(3)** | (1) |
| **Total comprehensive income for the year, net of tax** | **973** | 1,182 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Company | **843** | 1,008 |
| Non-controlling interests | **130** | 174 |
| | **973** | 1,182 |

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Financial Position

At 31 December 2014

| | Note | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **10,663** | 10,509 |
| Goodwill | 14 | **4,503** | 4,503 |
| Telecommunications licences | 15 | **1,373** | 1,538 |
| Other non-current assets | 16 | **993** | 1,110 |
| Deferred tax assets | 17 | **258** | 369 |
| Investments in joint ventures | 18 | **515** | 715 |
| **Total non-current assets** | | **18,305** | 18,744 |
| **Current assets** | | | |
| Cash and cash equivalents | 19 | **359** | 209 |
| Trade receivables and other current assets | 20 | **1,892** | 1,881 |
| Inventories | 21 | **142** | 171 |
| **Total current assets** | | **2,393** | 2,261 |
| **Current liabilities** | | | |
| Trade and other payables | 22 | **3,956** | 3,981 |
| Current income tax liabilities | | **18** | 14 |
| **Total current liabilities** | | **3,974** | 3,995 |
| **Net current liabilities** | | **(1,581)** | (1,734) |
| **Total assets less current liabilities** | | **16,724** | 17,010 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 17 | **420** | 342 |
| Borrowings | 23 | **3,952** | 4,571 |
| Other non-current liabilities | 24 | **643** | 761 |
| **Total non-current liabilities** | | **5,015** | 5,674 |
| **Net assets** | | **11,709** | 11,336 |

| | Note | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 25 | 1,205 | 1,205 |
| Reserves | 26 | 10,088 | 9,836 |
| **Total shareholders' funds** | | 11,293 | 11,041 |
| Non-controlling interests | | 416 | 295 |
| **Total equity** | | 11,709 | 11,336 |

The accompanying notes are an integral part of these financial statements.

**LUI Dennis Pok Man**
Director

**WONG King Fai, Peter**
Director

# Statement of Financial Position

At 31 December 2014

| | Note | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries, at costs | 31 | 3,871 | 3,871 |
| **Total non-current assets** | | 3,871 | 3,871 |
| **Current assets** | | | |
| Receivables from subsidiaries | 31 | 9,063 | 9,054 |
| Other current assets | | 1 | 1 |
| Cash and cash equivalents | | 4 | 3 |
| **Total current assets** | | 9,068 | 9,058 |
| **Current liabilities** | | | |
| Other payables | | 2 | 3 |
| Payables to subsidiaries | 31 | 92 | 90 |
| **Total current liabilities** | | 94 | 93 |
| **Net current assets** | | 8,794 | 8,965 |
| **Total assets less current liabilities** | | 12,845 | 12,836 |
| **Net assets** | | 12,845 | 12,836 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 25 | 1,205 | 1,205 |
| Reserves | 26 | 11,640 | 11,631 |
| **Total equity** | | 12,845 | 12,836 |

The accompanying notes are an integral part of these financial statements.

**LUI Dennis Pok Man**
Director

**WONG King Fai, Peter**
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

| | Attributable to shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$ millions | Share premium HK$ millions | Accumulated losses HK$ millions | Cumulative translation adjustments HK$ millions | Pension reserve HK$ millions | Other reserves HK$ millions | Total HK$ millions | Non-controlling interests HK$ millions | Total equity HK$ millions |
| **At 1 January 2014** | 1,205 | 11,185 | (1,411) | - | 45 | 17 | 11,041 | 295 | 11,336 |
| Profit for the year | - | - | 833 | - | - | - | 833 | 130 | 963 |
| Other comprehensive income | | | | | | | | | |
| Remeasurements of defined benefit plans | - | - | - | - | 13 | - | 13 | - | 13 |
| Currency translation differences | - | - | - | (3) | - | - | (3) | - | (3) |
| Total comprehensive income, net of tax | - | - | 833 | (3) | 13 | - | 843 | 130 | 973 |
| Dividend paid (Note 12) | - | - | (591) | - | - | - | (591) | (9) | (600) |
| **At 31 December 2014** | 1,205 | 11,185 | (1,169) | (3) | 58 | 17 | 11,293 | 416 | 11,709 |
| **At 1 January 2013** | 1,205 | 11,185 | (1,398) | 1 | (48) | 17 | 10,962 | 129 | 11,091 |
| Profit for the year | - | - | 916 | - | - | - | 916 | 174 | 1,090 |
| Other comprehensive income | | | | | | | | | |
| Remeasurements of defined benefit plans | - | - | - | - | 93 | - | 93 | - | 93 |
| Currency translation differences | - | - | - | (1) | - | - | (1) | - | (1) |
| Total comprehensive income, net of tax | - | - | 916 | (1) | 93 | - | 1,008 | 174 | 1,182 |
| Dividend paid | - | - | (929) | - | - | - | (929) | (8) | (937) |
| **At 31 December 2013** | 1,205 | 11,185 | (1,411) | - | 45 | 17 | 11,041 | 295 | 11,336 |

The accompanying notes are an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

| | Note | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 27 | **2,580** | 1,842 |
| Interest and other finance costs paid | | **(85)** | (96) |
| Tax paid | | **(12)** | (11) |
| **Net cash generated from operating activities** | | **2,483** | 1,735 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(1,168)** | (1,234) |
| Additions to other non-current assets | | **(40)** | (23) |
| Proceeds from disposals of property, plant and equipment | | **6** | 6 |
| Payment relating to investments in joint ventures | | **(68)** | (320) |
| Loan repayment from a joint venture | | **187** | - |
| **Net cash used in investing activities** | | **(1,083)** | (1,571) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **4,860** | 2,850 |
| Repayment of borrowings | | **(5,510)** | (2,050) |
| Dividend paid to the shareholders of the Company | 12 | **(591)** | (929) |
| Dividend paid to non-controlling interests | | **(9)** | (8) |
| **Net cash used in financing activities** | | **(1,250)** | (137) |
| Increase in cash and cash equivalents | | **150** | 27 |
| Cash and cash equivalents at 1 January | | **209** | 182 |
| Cash and cash equivalents at 31 December | 19 | **359** | 209 |

The accompanying notes are an integral part of these financial statements.

# 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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (together the "Group") are principally 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 were approved for issuance by the Board of Directors on 16 February 2015.

## 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 2014, the current liabilities of the Group exceeded its current assets by approximately HK$1,581 million. Included in the current liabilities were non-refundable customer prepayments of HK$805 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the net current liabilities of the Group would have been approximately HK$776 million. Management of the Group anticipates the net cash inflows from its operations, together with the ability to draw down from available banking facility, would be sufficient to enable 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) New/revised standards and amendments to existing standards adopted by the Group

During the year, the Group has adopted the following new/revised standards and amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2014:

| | |
|---|---|
| IAS 32 (Amendment) | Offsetting Financial Assets and Financial Liabilities |
| IAS 36 (Amendment) | Recoverable Amount Disclosures for Non-Financial Assets |
| IFRS 10, IFRS 12 and IAS 27 (Amendments) | Investment Entities |

The adoption of these new/revised standards and amendments to existing standards does not have an impact on the accounting policies of the Group.

### (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 yet effective for the year ended 31 December 2014:

| | |
|---|---|
| IFRSs (Amendments) [(i)] | Annual Improvements 2010-2012 Cycle |
| IFRSs (Amendments) [(i)] | Annual Improvements 2011-2013 Cycle |
| IFRSs (Amendments) [(ii)] | Annual Improvements 2012-2014 Cycle |
| IAS 1 (Amendment) [(ii)] | Disclosure Initiative |
| IAS 16 and IAS 38 (Amendments) [(ii)] | Clarification of Acceptable Methods of Depreciation and Amortisation |
| IAS 16 and IAS 41 (Amendments) [(ii)] | Agriculture: Bearer Plants |
| IAS 19 (Amendment) [(i)] | Defined Benefit Plans: Employee Contributions |
| IAS 27 (Amendment) [(ii)] | Equity Method in Separate Financial Statements |
| IFRS 9 (2014) [(iv)] | Financial Instruments |
| IFRS 10, IFRS 12 and IAS 28 (Amendments) [(ii)] | Investment Entities: Applying the Consolidation Exception |
| IFRS 10 and IAS 28 (Amendments) [(ii)] | Sale or Contribution of Assets between an Investor and its Associate and Joint Venture |
| IFRS 11 (Amendment) [(ii)] | Accounting for Acquisitions of Interests in Joint Operations |
| IFRS 14 [(ii)] | Regulatory Deferral Accounts |
| IFRS 15 [(iii)] | Revenue from Contracts with Customers |

*(i) Effective for annual periods beginning on or after 1 July 2014*
*(ii) Effective for annual periods beginning on or after 1 January 2016*
*(iii) Effective for annual periods beginning on or after 1 January 2017*
*(iv) Effective for annual periods beginning on or after 1 January 2018*

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 (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 fair value of 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 the 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.

## 2 Summary of Significant Accounting Policies (Continued)

### (e) Non-controlling interests

Non-controlling interests at the end of the 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.

### (f) Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The results and assets and liabilities of joint ventures are accounted for in the consolidated financial statements using the equity method of accounting.

When the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (g) Segment reporting

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

## 2 Summary of Significant Accounting Policies (Continued)

### (h) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in 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;

- 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 other comprehensive income.

## 2 Summary of Significant Accounting Policies (Continued)

### (i) Property, plant and equipment

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

| | |
|---|---|
| Buildings | 50 years 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.

### (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 operating segments.

# 2 Summary of Significant Accounting Policies (Continued)

## (k) Telecommunications licences

Telecommunications licences represent the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date the related spectrum is ready for its intended use. Telecommunications licences are amortised on a straight-line basis from the date the related spectrum is ready for its intended use over the remaining expected licence periods and are stated net of accumulated amortisation.

## (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.

## (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 the 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 purchasing or selling 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.

# 2 Summary of Significant Accounting Policies (Continued)

## (m) Financial assets (Continued)

### *(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.

## (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.

## 2 Summary of Significant Accounting Policies (Continued)

### (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 (Notes 2(i) and 2(k)).

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.

### (t) Taxation and deferred taxation

Taxation is calculated on the basis of the tax laws enacted or substantively enacted at the end of the 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 joint ventures, 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.

## 2 Summary of Significant Accounting Policies (Continued)

### (t) Taxation and deferred taxation (Continued)

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.

### (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. 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 obligations.

The current service cost of the defined benefit plan, recognised in the consolidated income statement in pension costs, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

## 2 Summary of Significant Accounting Policies (Continued)

### (w) Employee benefits (Continued)

#### *(i) Pension plans (Continued)*

##### *(a) Defined benefit plans (Continued)*

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in other comprehensive income.

Past-service costs are recognised immediately in the consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the pension costs in the consolidated income statement.

##### *(b) Defined contribution plans*

The Group's contributions to 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.

#### *(iii) Termination benefits*

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

## 2 Summary of Significant Accounting Policies (Continued)

### (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 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$"), Euro ("EURO") and British pounds ("GBP"). 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$.

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| US$ | **296** | 224 |
| EURO | **76** | 57 |
| GBP | **6** | (8) |
| Total net exposure: net assets | **378** | 273 |

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.

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| US$ | **25** | 19 |
| EURO | **6** | 5 |
| GBP | **-** | (1) |
| | **31** | 23 |

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, investments of surplus funds placed with banks as deposits and loans to joint ventures. 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 amounts of the Group's financial assets and liabilities where their cash flows are subject to interest rate exposure are as follows:

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Borrowings at floating rates (Note 23) | **(3,952)** | (4,571) |
| Cash at banks and short-term bank deposits | **282** | 116 |
| Loans to joint ventures (Note 18) | **529** | 742 |
| | **(3,141)** | (3,713) |

The interest rate profile of the Group's borrowings is disclosed in Note 23. 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 2014 and 2013 would have decreased by approximately HK$26 million and HK$31 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 ventures; 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 the 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 and loans to joint ventures. Management has policies in place and exposures to these credit risks are monitored on an ongoing basis.

For counterparty and investment risks in respect of the surplus fund, the Group manages these risks in a prudent manner, usually in the form of deposits with banks or financial institutions. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

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 date is the carrying value of each class of financial assets as follows:

| | **2014**<br>**HK$ millions** | 2013<br>HK$ millions |
|---|---|---|
| Cash at banks and short-term bank deposits (Note 19) | **359** | 209 |
| Trade and other receivables (Note 20) | **1,721** | 1,744 |
| Loans to joint ventures (Note 18) | **529** | 742 |
| | **2,609** | 2,695 |

# 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 the reporting date 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 |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2014** | | | | | | | | |
| Borrowings (Note 23) | 3,952 | 3,952 | - | 4,000 | - | - | 4,000 | - |
| Trade payables (Note 22) | 714 | 714 | - | 714 | 714 | - | - | - |
| Other payables, accruals and deferred revenue (Note 22) | 3,060 | 744 | 2,316 | 744 | 744 | - | - | - |
| Licence fees liabilities (Notes 22 and 24) | 577 | 577 | - | 672 | 199 | 209 | 173 | 91 |
| | 8,303 | 5,987 | 2,316 | 6,130 | 1,657 | 209 | 4,173 | 91 |

| | 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 |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2013** | | | | | | | | |
| Borrowings (Note 23) | 4,571 | 4,571 | - | 4,600 | - | 4,600 | - | - |
| Trade payables (Note 22) | 654 | 654 | - | 654 | 654 | - | - | - |
| Other payables, accruals and deferred revenue (Note 22) | 3,154 | 763 | 2,391 | 763 | 763 | - | - | - |
| Licence fees liabilities (Notes 22 and 24) | 711 | 711 | - | 861 | 189 | 199 | 324 | 149 |
| | 9,090 | 6,699 | 2,391 | 6,878 | 1,606 | 4,799 | 324 | 149 |

## 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 due to short maturity. 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 2014, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$9,243 million (2013: HK$9,160 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 based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### *(iii) Asset impairment*

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2014 indicated that no impairment charge was necessary.

### *(iv) Allocation of revenue for bundled transactions with customers*

The Group has bundled transactions under contracts with customers including sales of both services and hardware (for example handsets). 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 inter alia, 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 carried forward. 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 2014, the Group has recognised deferred tax assets of approximately HK$258 million (2013: HK$369 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:

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Mobile telecommunications services | **4,625** | 5,124 |
| Fixed-line telecommunications services | **3,685** | 3,432 |
| Telecommunications hardware | **7,986** | 4,221 |
| | **16,296** | 12,777 |

## 6 Segment Information

The Group is organised into two operating 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 EBITDA/(LBITDA) [(a)] and EBIT/(LBIT) [(b)]. The segment information on turnover, EBITDA/(LBITDA), EBIT/(LBIT), 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.

| | At and for the year ended 31 December 2014 | | | | |
|---|---|---|---|---|---|
| | Mobile HK$ millions | Fixed-line HK$ millions | Others HK$ millions | Elimination HK$ millions | Total HK$ millions |
| Turnover – service | 4,646 | 4,102 | - | (438) | 8,310 |
| Turnover – hardware | 7,986 | - | - | - | 7,986 |
| | 12,632 | 4,102 | - | (438) | 16,296 |
| Operating costs | (11,135) | (2,795) | (125) | 438 | (13,617) |
| EBITDA/(LBITDA) | 1,497 | 1,307 | (125) | - | 2,679 |
| Depreciation and amortisation | (620) | (701) | - | - | (1,321) |
| EBIT/(LBIT) | 877 | 606 | (125) | - | 1,358 |
| Total assets before investments in joint ventures | 9,531 | 10,762 | 16,939 | (17,049) | 20,183 |
| Investments in joint ventures | 515 | - | - | - | 515 |
| Total assets | 10,046 | 10,762 | 16,939 | (17,049) | 20,698 |
| Total liabilities | (11,116) | (6,957) | (4,094) | 13,178 | (8,989) |
| Other information: | | | | | |
| Additions to property, plant and equipment | 664 | 534 | - | - | 1,198 |
| Additions to telecommunications licences | 3 | - | - | - | 3 |

## 6 Segment Information (Continued)

| | At and for the year ended 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | Mobile HK$ millions | Fixed-line HK$ millions | Others HK$ millions | Elimination HK$ millions | Total HK$ millions |
| Turnover – service | 5,138 | 3,880 | – | (462) | 8,556 |
| Turnover – hardware | 4,221 | – | – | – | 4,221 |
| | 9,359 | 3,880 | – | (462) | 12,777 |
| Operating costs | (7,789) | (2,646) | (130) | 462 | (10,103) |
| EBITDA/(LBITDA) | 1,570 | 1,234 | (130) | – | 2,674 |
| Depreciation and amortisation | (609) | (726) | – | – | (1,335) |
| EBIT/(LBIT) | 961 | 508 | (130) | – | 1,339 |
| Total assets before investments in joint ventures | 9,498 | 10,897 | 12,929 | (13,034) | 20,290 |
| Investments in joint ventures | 550 | 165 | – | – | 715 |
| Total assets | 10,048 | 11,062 | 12,929 | (13,034) | 21,005 |
| Total liabilities | (11,666) | (7,073) | (93) | 9,163 | (9,669) |
| Other information: | | | | | |
| Additions to property, plant and equipment | 657 | 623 | – | – | 1,280 |
| Additions to telecommunications licences | 4 | – | – | – | 4 |

*(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation, depreciation and amortisation and share of results of joint ventures.*

*(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of joint ventures.*

The total revenue from external customers in Hong Kong for the year ended 31 December 2014 amounted to approximately HK$15,588 million (2013: HK$12,208 million) and the total revenue from external customers in Macau for the year ended 31 December 2014 amounted to approximately HK$708 million (2013: HK$569 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2014 amounted to approximately HK$17,602 million (2013: HK$17,948 million) and the total of these non-current assets located in Macau as at 31 December 2014 amounted to approximately HK$445 million (2013: HK$427 million).

## 7 Staff Costs

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Wages and salaries | 800 | 808 |
| Termination benefits | (5) | 14 |
| Pension costs | | |
| – defined benefit plans (Note 30(a)) | 35 | 42 |
| – defined contribution plans | 12 | 12 |
| Less: Amounts capitalised as non-current assets | (108) | (93) |
| | 734 | 783 |

### (a) Directors' and chief executive's emoluments

Directors' emoluments comprise payments to directors from the Group. The emoluments of each of the directors of the Company exclude amounts received from subsidiaries of the Group and paid to the Company, a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and the chief executive for 2014 and 2013 are as follows:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Director's fees HK$ millions | Basic salaries, allowances and benefits-in-kind HK$ millions | Bonuses HK$ millions | Provident fund contributions HK$ millions | Inducement or compensation fees HK$ millions | Total HK$ millions |
| Fok Kin Ning, Canning (i) | 0.09 | - | - | - | - | 0.09 |
| Lui Dennis Pok Man (i) | 0.07 | - | - | - | - | 0.07 |
| Wong King Fai, Peter (i) (ii) | 0.07 | 3.51 | 6.40 | 0.26 | - | 10.24 |
| Chow Woo Mo Fong, Susan (i) | 0.07 | - | - | - | - | 0.07 |
| Frank John Sixt (i) | 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 |
| Total | 0.90 | 3.51 | 6.40 | 0.26 | - | 11.07 |

## 7 Staff Costs (Continued)

### (a) Directors' and chief executive's emoluments (Continued)

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Director's fees HK$ millions | Basic salaries, allowances and benefits-in-kind HK$ millions | Bonuses HK$ millions | Provident fund contributions HK$ millions | Inducement or compensation fees HK$ millions | Total HK$ millions |
| Fok Kin Ning, Canning [(i)] | 0.09 | - | - | - | - | 0.09 |
| Lui Dennis Pok Man | 0.07 | - | - | - | - | 0.07 |
| Wong King Fai, Peter [(i) (ii)] | 0.07 | 3.49 | 8.00 | 0.26 | - | 11.82 |
| Chow Woo Mo Fong, Susan [(i)] | 0.07 | - | - | - | - | 0.07 |
| Frank John Sixt [(i)] | 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 |
| Total | 0.90 | 3.49 | 8.00 | 0.26 | - | 12.65 |

*(i) Director's fee received by these directors from subsidiaries of the Group during the period they served as directors that have been paid to the Company, a subsidiary or an intermediate holding company of the Company are not included in the amounts above.*

*(ii) Mr Wong King Fai, Peter was the chief executive for the years ended 31 December 2014 and 2013 whose emoluments have been shown in directors' emoluments above.*

### (b) Five highest paid individuals

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

| | **2014 Number of individual** | 2013 Number of individual |
|---|---|---|
| Director of the Company | **1** | 1 |
| Management executives | **4** | 4 |

# 7 Staff Costs (Continued)

## (b) Five highest paid individuals (Continued)

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

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Basic salaries, allowances and benefits-in-kind | **12** | 12 |
| Bonuses | **14** | 16 |
| Provident fund contributions | **1** | 1 |
| | **27** | 29 |

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

| | **2014 Number of individual** | 2013 Number of individual |
|---|---|---|
| HK$2,500,001 – HK$3,000,000 | **1** | – |
| HK$3,000,001 – HK$3,500,000 | **1** | 1 |
| HK$4,000,001 – HK$4,500,000 | **1** | 1 |
| HK$4,500,001 – HK$5,000,000 | **-** | 1 |
| HK$5,000,001 – HK$5,500,000 | **-** | 1 |
| HK$5,500,001 – HK$6,000,000 | **1** | – |
| HK$10,000,001 – HK$10,500,000 | **1** | – |
| HK$11,500,001 – HK$12,000,000 | **-** | 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 2014 (2013: Nil).

## 8 Other Operating Expenses

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Cost of services provided | **2,943** | 3,118 |
| General administrative and distribution costs | **339** | 359 |
| Operating leases in respect of | | |
| – buildings | **532** | 503 |
| – hire of plant and machinery | **621** | 577 |
| Loss on disposals of property, plant and equipment | **13** | – |
| Auditor's remuneration | **12** | 13 |
| Provision for doubtful debts | **32** | 7 |
| Total | **4,492** | 4,577 |

## 9 Interest and Other Finance Costs, Net

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Interest income: | | |
| Interest income from joint ventures | **20** | 21 |
| Interest and other finance costs: | | |
| Bank loans repayable within 5 years | **(74)** | (81) |
| Notional non-cash interest accretion [(a)] | **(60)** | (69) |
| Guarantee and other finance fees | **(49)** | (40) |
| | **(183)** | (190) |
| Less: Amounts capitalised on qualifying assets | **8** | 9 |
| | **(175)** | (181) |
| Interest and other finance costs, net | **(155)** | (160) |

*(a) 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

| | 2014 | | |
|---|---|---|---|
| | Current taxation HK$ millions | Deferred taxation HK$ millions | Total HK$ millions |
| Hong Kong | 1 | 188 | 189 |
| Outside Hong Kong | 15 | 1 | 16 |
| | 16 | 189 | 205 |

| | 2013 | | |
|---|---|---|---|
| | Current taxation HK$ millions | Deferred taxation HK$ millions | Total HK$ millions |
| Hong Kong | – | 65 | 65 |
| Outside Hong Kong | 12 | – | 12 |
| | 12 | 65 | 77 |

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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:

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Profit before taxation | 1,168 | 1,167 |
| Tax calculated at domestic rates | 190 | 187 |
| Income not subject to tax | (1) | – |
| Expenses not deductible for taxation purposes | 12 | 1 |
| Utilisation of previously unrecognised tax losses | (26) | (110) |
| Utilisation of previously unrecognised temporary differences | (1) | (1) |
| Temporary differences not recognised | - | 1 |
| Under/(over) provision in prior years | 30 | (1) |
| Others | 1 | – |
| Total taxation charge | 205 | 77 |

## 11 Earnings per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$833 million (2013: HK$916 million) and on the weighted average number of 4,818,896,208 (2013: Same) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2014 is calculated by adjusting the weighted average number of 4,818,896,208 (2013: Same) ordinary shares in issue with the weighted average number of 132,886 (2013: 145,355) ordinary shares deemed to be issued assuming the exercise of the share options.

## 12 Dividends

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Interim, paid of 4.25 HK cents per share (2013: 6.25 HK cents per share) | 205 | 301 |
| Final, proposed of 8.70 HK cents per share (2013: 8.00 HK cents per share) | 419 | 386 |
| | 624 | 687 |

## 13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2014 and 2013 are as follows:

| | Buildings HK$ millions | Telecommunications infrastructure and network equipment HK$ millions | Other assets HK$ millions | Construction in progress HK$ millions | Total HK$ millions |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2014 | 153 | 19,245 | 3,333 | 762 | 23,493 |
| Additions | - | 570 | 171 | 457 | 1,198 |
| Disposals | (1) | (162) | (98) | (8) | (269) |
| Transfer between categories | - | 347 | 66 | (413) | - |
| At 31 December 2014 | 152 | 20,000 | 3,472 | 798 | 24,422 |
| Accumulated depreciation and impairment losses | | | | | |
| At 1 January 2014 | 33 | 10,085 | 2,866 | - | 12,984 |
| Charge for the year | 4 | 824 | 197 | - | 1,025 |
| Disposals | - | (152) | (98) | - | (250) |
| At 31 December 2014 | 37 | 10,757 | 2,965 | - | 13,759 |
| Net book value | | | | | |
| At 31 December 2014 | 115 | 9,243 | 507 | 798 | 10,663 |

## 13 Property, Plant and Equipment (Continued)

| | Buildings HK$ millions | Telecom-munications infrastructure and network equipment HK$ millions | Other assets HK$ millions | Construction in progress HK$ millions | Total HK$ millions |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2013 | 153 | 18,607 | 3,182 | 947 | 22,889 |
| Additions | – | 703 | 240 | 337 | 1,280 |
| Disposals | – | (556) | (120) | – | (676) |
| Transfer between categories | – | 491 | 31 | (522) | – |
| At 31 December 2013 | 153 | 19,245 | 3,333 | 762 | 23,493 |
| Accumulated depreciation and impairment losses | | | | | |
| At 1 January 2013 | 29 | 9,771 | 2,815 | – | 12,615 |
| Charge for the year | 4 | 865 | 170 | – | 1,039 |
| Disposals | – | (551) | (119) | – | (670) |
| At 31 December 2013 | 33 | 10,085 | 2,866 | – | 12,984 |
| Net book value | | | | | |
| At 31 December 2013 | 120 | 9,160 | 467 | 762 | 10,509 |

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$5 million (2013: HK$5 million) capitalised at a rate of 2.2% per annum (2013: 2.2%).

## 14 Goodwill

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Gross carrying amount and net book value at 1 January and 31 December | 4,503 | 4,503 |
| Accumulated impairment losses at 1 January and 31 December | - | - |

### Impairment test for goodwill

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

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

| | 2014 HK$ millions | 2013 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 2019.

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

(i) Projected 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 with reference to market to determine the terminal value of the Group's respective CGUs.

## 14 Goodwill (Continued)

(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:

| | 2014 | 2013 |
|---|---|---|
| Mobile business | **4.4%** | 4.0% |
| Fixed-line business | **3.0%** | 2.8% |

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 2014 indicated no impairment charge was necessary (2013: Same).

## 15 Telecommunications Licences

| | HK$ millions |
|---|---|
| At 1 January 2013 | |
| Cost | 2,300 |
| Accumulated amortisation | (598) |
| Net book value | 1,702 |
| Year ended 31 December 2013 | |
| Opening net book value | 1,702 |
| Additions | 4 |
| Amortisation for the year | (168) |
| Closing net book value | 1,538 |
| At 31 December 2013 | |
| Cost | 2,304 |
| Accumulated amortisation | (766) |
| Net book value | 1,538 |
| Year ended 31 December 2014 | |
| Opening net book value | **1,538** |
| Additions | **3** |
| Amortisation for the year | **(168)** |
| Closing net book value | **1,373** |
| At 31 December 2014 | |
| Cost | **2,307** |
| Accumulated amortisation | **(934)** |
| Net book value | **1,373** |

Additions of telecommunications licences included interest of HK$3 million (2013: HK$4 million) capitalised at a rate of 2.2% per annum (2013: 2.2%).

## 16 Other Non-Current Assets

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Prepayments | 939 | 1,057 |
| Non-current deposits | 54 | 53 |
| | 993 | 1,110 |

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:

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Deferred tax assets | 258 | 369 |
| Deferred tax liabilities | (420) | (342) |
| Net deferred tax (liabilities)/assets | (162) | 27 |

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

| | Accelerated depreciation allowance HK$ millions | Tax losses HK$ millions | Total HK$ millions |
|---|---|---|---|
| At 1 January 2013 | (1,034) | 1,126 | 92 |
| Net charge for the year (Note 10) | (20) | (45) | (65) |
| At 31 December 2013 | (1,054) | 1,081 | 27 |
| At 1 January 2014 | (1,054) | 1,081 | 27 |
| Net charge for the year (Note 10) | (15) | (174) | (189) |
| At 31 December 2014 | (1,069) | 907 | (162) |

## 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:

| | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|
| Arising from unused tax losses | 68 | 94 |
| Arising from depreciation allowances | 1 | 7 |
| | 69 | 101 |

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 2014, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$409 million (2013: HK$571 million) can be carried forward indefinitely.

## 18 Investments in Joint Ventures

| | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|
| Loans to joint ventures | 566 | 783 |
| Share of undistributed post acquisition reserves | (51) | (68) |
| | 515 | 715 |

The loans to joint ventures are unsecured, have no fixed terms of repayment and non-interest bearing except for loans of HK$529 million (2013: HK$742 million) which bear interest at Hong Kong inter-bank offered rate ("HIBOR") plus 3% per annum (2013: Same).

Particulars of the principal joint ventures 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 Joint Ventures (Continued)

The Group's share of the results of its joint ventures, all of which are unlisted, are as follows:

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Net loss and total comprehensive loss for the year | **(35)** | (12) |
| Proportionate interests in jointly ventures' capital commitments<br>Contracted but not provided for | **92** | 165 |

As at 31 December 2014, there were no contingent liabilities related to the Group's interest in joint ventures and no contingent liabilities of joint ventures themselves (2013: Nil).

As at 31 December 2014, all the shares held by the Group in a joint venture were pledged as security in favour of another partner of the joint venture under a cross share pledge arrangement (2013: Same).

## 19 Cash and Cash Equivalents

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Cash at banks and in hand | **117** | 115 |
| Short-term bank deposits | **242** | 94 |
| | **359** | 209 |

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.02% per annum (2013: 0.01% to 0.02%). These deposits have an average maturity of 1 to 7 days (2013: 1 to 4 days).

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

## 20 Trade Receivables and Other Current Assets

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Trade receivables | 1,756 | 1,792 |
| Less: Provision for doubtful debts | (155) | (165) |
| Trade receivables, net of provision [(a)] | 1,601 | 1,627 |
| Other receivables [(b)] | 120 | 117 |
| Prepayments and deposits [(b)] | 171 | 137 |
| | 1,892 | 1,881 |

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

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| The ageing analysis of trade receivables, net of provision for doubtful debts is as follows: | | |
| 0-30 days | 958 | 1,088 |
| 31-60 days | 220 | 197 |
| 61-90 days | 105 | 118 |
| Over 90 days | 318 | 224 |
| | 1,601 | 1,627 |

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 2014, trade receivables of approximately HK$868 million (2013: HK$814 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:

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| The ageing analysis of trade receivables which were past due but not provided for is as follows: | | |
| Past due 1-30 days | 421 | 462 |
| Past due 31-60 days | 121 | 120 |
| Past due 61-90 days | 79 | 61 |
| Past due over 90 days | 247 | 171 |
| | 868 | 814 |

## 20 Trade Receivables and Other Current Assets (Continued)

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

As at 31 December 2014, provision for doubtful debts of approximately HK$155 million (2013: HK$165 million) was recognised for trade receivables of approximately HK$729 million (2013: HK$883 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:

| | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|
| At 1 January | 165 | 202 |
| Increase in provision recognised in the consolidated income statement | 165 | 153 |
| Amounts recovered in respect of brought forward balance | (133) | (146) |
| Write-off during the year | (42) | (44) |
| At 31 December | 155 | 165 |

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.

## 21 Inventories

Inventories represent handsets and related accessories held for sale. As at 31 December 2014, the amount of inventories carried at net realisable value was approximately HK$3 million (2013: HK$13 million).

## 22 Trade and Other Payables

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Trade payables [(a)] | 714 | 654 |
| Other payables and accruals | 2,255 | 2,279 |
| Deferred revenue | 805 | 875 |
| Current portion of licence fees liabilities (Note 24) | 182 | 173 |
| | 3,956 | 3,981 |

The carrying values of trade and other payables approximate their fair values.

### (a) Trade payables

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| The ageing analysis of trade payables is as follows: | | |
| 0-30 days | 388 | 306 |
| 31-60 days | 48 | 59 |
| 61-90 days | 39 | 80 |
| Over 90 days | 239 | 209 |
| | 714 | 654 |

## 23 Borrowings

| | Maturity year | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|---|
| Unsecured bank loans | | | |
| Repayable between 1 and 2 years | 2015 | - | 4,571 |
| Repayable between 2 and 5 years | 2019 | 3,952 | - |
| | | 3,952 | 4,571 |

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2014 and 2013 approximate their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 1.6% per annum (2013: 2.2%) and are within level 2 of the fair value hierarchy.

## 24 Other Non-Current Liabilities

| | **2014** **HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Non-current licence fees liabilities [(a)] | **395** | 538 |
| Pension obligations (Note 30(a)) | **58** | 58 |
| Accrued expenses | **190** | 165 |
| | **643** | 761 |

### (a) Licence fees liabilities

| | **2014** **HK$ millions** | 2013 HK$ millions |
|---|---|---|
| Licence fees liabilities – minimum annual fees payments: | | |
| Not later than 1 year | **199** | 189 |
| After 1 year, but within 5 years | **382** | 523 |
| After 5 years | **91** | 149 |
| | **672** | 861 |
| Future finance charges on licence fees liabilities | **(95)** | (150) |
| Carrying amount of licence fees liabilities | **577** | 711 |
| The carrying amount of licence fees liabilities is as follows: | | |
| Current portion of licence fees liabilities (Note 22) | **182** | 173 |
| Non-current licence fees liabilities: | | |
| After 1 year, but within 5 years | **323** | 423 |
| After 5 years | **72** | 115 |
| | **395** | 538 |
| Total licence fees liabilities | **577** | 711 |

## 25 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 (2013: Same).

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

| | Ordinary share of HK$0.25 each Number of shares | Issued and fully paid HK$ millions |
|---|---|---|
| At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 | 4,818,896,208 | 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 |
|---|---|---|
| At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014 | 1.00 | 200,000 |

The exercise price of the share options granted is equal to the market price of the shares on the date of grant. The share options are exercisable during a period, subject to the vesting schedule, commencing on the date on which the share options are deemed to have been granted and ending on the date falling ten years from the date of grant of the share options (subject to early termination thereof). 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%.

As at 31 December 2014, 200,000 (2013: Same) share options were exercisable.

# 26 Reserves

## Group

| | Share premium HK$ millions | Accumulated losses HK$ millions | Cumulative translation adjustments HK$ millions | Pension reserve HK$ millions | Other reserves HK$ millions | Total HK$ millions |
|---|---|---|---|---|---|---|
| **At 1 January 2013** | 11,185 | (1,398) | 1 | (48) | 17 | 9,757 |
| Profit for the year | - | 916 | - | - | - | 916 |
| Remeasurements of defined benefit plans | - | - | - | 93 | - | 93 |
| Currency translation differences | - | - | (1) | - | - | (1) |
| Dividend paid | - | (929) | - | - | - | (929) |
| **At 31 December 2013** | 11,185 | (1,411) | - | 45 | 17 | 9,836 |
| **At 1 January 2014** | **11,185** | **(1,411)** | **-** | **45** | **17** | **9,836** |
| Profit for the year | **-** | **833** | **-** | **-** | **-** | **833** |
| Remeasurements of defined benefit plans | **-** | **-** | **-** | **13** | **-** | **13** |
| Currency translation differences | **-** | **-** | **(3)** | **-** | **-** | **(3)** |
| Dividend paid (Note 12) | **-** | **(591)** | **-** | **-** | **-** | **(591)** |
| **At 31 December 2014** | **11,185** | **(1,169)** | **(3)** | **58** | **17** | **10,088** |

## Company

| | Share premium HK$ millions | Retained earnings HK$ millions | Total HK$ millions |
|---|---|---|---|
| **At 1 January 2013** | 11,185 | 691 | 11,876 |
| Profit for the year | - | 684 | 684 |
| Dividend paid | - | (929) | (929) |
| **At 31 December 2013** | 11,185 | 446 | 11,631 |
| **At 1 January 2014** | **11,185** | **446** | **11,631** |
| Profit for the year | **-** | **600** | **600** |
| Dividend paid (Note 12) | **-** | **(591)** | **(591)** |
| **At 31 December 2014** | **11,185** | **455** | **11,640** |

## 27 Cash Generated from Operations

| | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 1,168 | 1,167 |
| Adjustments for: | | |
| – Interest income (Note 9) | (20) | (21) |
| – Interest and other finance costs (Note 9) | 175 | 181 |
| – Depreciation and amortisation | 1,321 | 1,335 |
| – Loss on disposals of property, plant and equipment (Note 8) | 13 | – |
| – Share of results of joint ventures (Note 18) | 35 | 12 |
| Changes in working capital | | |
| – Decrease in trade receivables and other assets | 12 | 93 |
| – Decrease in inventories | 29 | 30 |
| – Decrease in trade and other payables | (166) | (973) |
| – Retirement benefits obligations | 13 | 18 |
| Cash generated from operations | 2,580 | 1,842 |

## 28 Contingent Liabilities

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

| | 2014<br>HK$ millions | 2013<br>HK$ millions |
|---|---|---|
| Performance guarantees | 503 | 634 |
| Financial guarantees | 14 | 15 |
| Others | 3 | – |
| | 520 | 649 |

The Company has guaranteed the borrowings (Note 23) which are borrowed in the name of a subsidiary and included in the consolidated statement of financial position of the Group.

## 29 Commitments

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

### (a) Capital commitments

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Property, plant and equipment | | |
| Contracted but not provided for | 717 | 820 |
| Authorised but not contracted for | 742 | 631 |
| | 1,459 | 1,451 |
| Telecommunications licences | | |
| Contracted but not provided for | 1,777 | – |

On 29 August 2014, Hutchison Telephone Company Limited ("HTCL"), a subsidiary of the Group, exercised a right of first refusal for the re-assignment of a block of 19.8MHz spectrum at the 2100MHz (the "Re-assigned Spectrum") for a 15-year period commencing October 2016 at a consideration which was subsequently determined to be approximately HK$1,307 million payable in August 2016. A standby letter of credit in the same amount was issued in favour of the Office of the Communications Authority of Hong Kong ("OFCA") in relation to the Re-assigned Spectrum.

On 8 December 2014, HTCL successfully bidded a block of 9.8MHz spectrum at the 2100MHz (the "Bidded Spectrum") for a 15-year period commencing October 2016 at a consideration of approximately HK$470 million payable in August 2016. A standby letter of credit of HK$480 million was issued in favour of the OFCA in relation to the Bidded Spectrum.

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Investments in joint ventures | | |
| Authorised but not contracted for | 109 | 175 |

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

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Property, plant and equipment | | |
| Contracted but not provided for | 35 | 26 |

## 29 Commitments (Continued)

### (b) Operating lease commitments

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

| | Buildings | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$ millions** | HK$ millions |
| Not later than one year | **227** | 193 |
| Later than one year but not later than five years | **158** | 92 |
| | **385** | 285 |

| | Other assets | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$ millions** | HK$ millions |
| Not later than one year | **265** | 213 |
| Later than one year but not later than five years | **104** | 141 |
| Later than five years | **6** | 8 |
| | **375** | 362 |

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

| | Buildings | |
|---|---|---|
| | **2014** | 2013 |
| | **HK$ millions** | HK$ millions |
| Not later than one year | **76** | 31 |
| Later than one year but not later than five years | **82** | 10 |
| | **158** | 41 |

### (c) Telecommunications licence fees

A subsidiary of the Group has a unified carrier licence for the 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 2014, 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 (2013: Same).

| | **2014 HK$ millions** | 2013 HK$ millions |
|---|---|---|
| **The amount recognised in the consolidated statement of financial position:** | | |
| Present value of funded plans' obligations | **(348)** | (330) |
| Less: Fair value of plan assets | **290** | 272 |
| Pension obligations recognised in the consolidated statement of financial position (Note 24) | **(58)** | (58) |

## 30 Employee Retirement Benefits (Continued)

### (a) Defined benefit plans (Continued)

The movements in the defined benefit obligations over the year are as follows:

| | Present value of obligations HK$ millions | Fair value of plan assets HK$ millions | Total HK$ millions |
|---|---|---|---|
| At 1 January 2014 | (330) | 272 | (58) |
| **Amounts recognised in consolidated income statement** | | | |
| Pension costs, included in staff costs (Note 7): | | | |
| - Current service cost | (34) | - | (34) |
| - Net interest (expense)/income | (6) | 5 | (1) |
| | (40) | 5 | (35) |
| **Amounts recognised in other comprehensive income** | | | |
| Remeasurements: | | | |
| - Return on plan assets, excluding amounts included in interest income | - | 12 | 12 |
| - Loss from change in financial assumptions | (5) | - | (5) |
| - Experience gains | 6 | - | 6 |
| | 1 | 12 | 13 |
| Contributions: | | | |
| - Employers | - | 22 | 22 |
| - Employees | (1) | 1 | - |
| Actual benefits paid | 20 | (20) | - |
| Net transfer | 2 | (2) | - |
| At 31 December 2014 | (348) | 290 | (58) |

# 30 Employee Retirement Benefits (Continued)

## (a) Defined benefit plans (Continued)

| | Present value of obligations HK$ millions | Fair value of plan assets HK$ millions | Total HK$ millions |
|---|---|---|---|
| At 1 January 2013 | (369) | 236 | (133) |
| **Amounts recognised in consolidated income statement** | | | |
| Pension costs, included in staff costs (Note 7): | | | |
| – Current service cost | (41) | – | (41) |
| – Net interest (expense)/income | (2) | 1 | (1) |
| | (43) | 1 | (42) |
| **Amounts recognised in other comprehensive income** | | | |
| Remeasurements: | | | |
| – Return on plan assets, excluding amounts included in interest income | – | 27 | 27 |
| – Gain from change in demographic assumptions | 12 | – | 12 |
| – Gain from change in financial assumptions | 49 | – | 49 |
| – Experience gains | 5 | – | 5 |
| | 66 | 27 | 93 |
| Contributions: | | | |
| – Employers | – | 24 | 24 |
| – Employees | (1) | 1 | – |
| Actual benefits paid | 18 | (18) | – |
| Net transfer | (1) | 1 | – |
| At 31 December 2013 | (330) | 272 | (58) |

## 30 Employee Retirement Benefits (Continued)

### (a) Defined benefit plans (Continued)

Plan assets consist of the following:

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| Equity instruments | 203 | 188 |
| Debt instruments | 75 | 69 |
| Other assets | 12 | 15 |
| | 290 | 272 |

The principal actuarial assumptions and the sensitivity of the defined benefit obligations to changes in the principal assumptions are:

| | 2014 | | |
|---|---|---|---|
| | Assumption used | Impact to the defined benefit obligations if rate increases by 0.25% | Impact to the defined benefit obligations if rate decreases by 0.25% |
| Discount rate | 1.5% to 1.9% | -2.4% | +2.5% |
| Future salary rate | 4.0% | +0.7% | -0.7% |

| | 2013 | | |
|---|---|---|---|
| | Assumption used | Impact to the defined benefit obligations if rate increases by 0.25% | Impact to the defined benefit obligations if rate decreases by 0.25% |
| Discount rate | 1.5% to 2.1% | -2.4% | +2.5% |
| Future salary rate | 4.0% | +0.8% | -0.8% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change comparing to the previous period.

## 30 Employee Retirement Benefits (Continued)

### (a) Defined benefit plans (Continued)

| | 2014 | 2013 |
|---|---|---|
| Weighted average duration of defined benefit obligations | **10 years** | 10 years |

Expected contributions to defined benefit plans for the year ending 31 December 2015 are approximately HK$27 million.

Forfeited contributions totalling HK$5 million (2013: HK$3 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 2014 (2013: HK$1 million) to reduce future years' contributions.

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 2013 reported a funding level of 119% 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 2014 vested benefits under this plan are fully funded in accordance with the ORSO funding requirements.

### (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$0.2 million (2013: HK$0.3 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 2014 (2013: insignificant amount) to reduce future years' contributions.

## 31 Investments in Subsidiaries and Balances with Subsidiaries

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

Particulars of principal subsidiaries are set out on pages 137 to 138.

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

The financial information for the subsidiary that has non-controlling interests that is material to the Group is as follows:

| | HTCL | |
|---|---|---|
| | **2014 HK$ millions** | 2013 HK$ millions |
| **Summarised statement of financial position** | | |
| **Assets** | | |
| Non-current assets | **10,393** | 10,537 |
| Current assets | **1,818** | 1,778 |
| | **12,211** | 12,315 |
| **Liabilities** | | |
| Non-current liabilities | **(8,826)** | (9,389) |
| Current liabilities | **(2,061)** | (2,031) |
| | **(10,887)** | (11,420) |
| **Net assets** | **1,324** | 895 |
| **Summarised income statement** | | |
| Revenue | **12,172** | 8,934 |
| Profit for the year | **427** | 742 |
| Total profit for the year attributable to non-controlling interests | **103** | 179 |
| Total comprehensive income | **428** | 745 |
| **Summarised cash flows** | | |
| Net cash generated from operating activities | **1,084** | 467 |
| Net cash used in investing activities | **(515)** | (676) |
| Net cash (used in)/generated from financing activities | **(430)** | 204 |
| Net increase/(decrease) in cash and cash equivalents | **139** | (5) |
| Cash and cash equivalents at 1 January | **30** | 35 |
| Cash and cash equivalents at 31 December | **169** | 30 |

The information above is the amount before inter-company eliminations.

## 32 Ultimate Holding Company

As at 31 December 2014, 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 direct and indirect subsidiaries or joint ventures

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

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

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

(3) Joint ventures of the Group

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.

### (a) Key management personnel remuneration

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

## 33 Related Party Transactions (Continued)

### (b) Transactions with related parties

| | 2014 HK$ millions | 2013 HK$ millions |
|---|---|---|
| **HWL Group** | | |
| Provision of mobile telecommunications services | 26 | 20 |
| Provision of fixed-line telecommunications services | 167 | 144 |
| Supply of telecommunications products, net of rebate | - | 5 |
| Purchase of telecommunications services | (87) | (91) |
| Rental expenses on lease arrangements | (95) | (85) |
| Dealership service expenses | (5) | (5) |
| Billing collection service expenses | (10) | (12) |
| Purchase of office supplies | (9) | (11) |
| Purchase of air tickets and hotel accommodation | (3) | (3) |
| Advertising and promotion expenses | (8) | (12) |
| Global procurement service arrangement expenses | (8) | (5) |
| Sharing of services arrangement | (39) | (38) |
| Corporate guarantee expenses | (8) | (8) |
| Purchase of property, plant and equipment | (2) | (4) |
| **CKH Group** | | |
| Provision of mobile telecommunications services | 1 | 1 |
| Provision of fixed-line telecommunications services | 38 | 37 |
| Provision of marketing services | 6 | 7 |
| Rental expenses on lease arrangements | (9) | (9) |
| Purchase of telecommunications services | (1) | (1) |
| Business risks management services | (6) | (7) |
| Purchase of office supplies | (3) | (4) |
| Advertising and promotion expenses | - | (1) |
| Sharing of services arrangement | (6) | (10) |
| Purchase of property, plant and equipment | (21) | (19) |
| **DoCoMo Group** | | |
| Provision of mobile telecommunications services | 16 | 15 |
| Purchase of property, plant and equipment | - | (30) |
| **Joint ventures of the Group** | | |
| Provision of fixed-line telecommunications services | 2 | 2 |
| Interest income | 20 | 21 |
| Management fee income | 16 | 13 |
| Purchase of date centre services | (50) | (17) |
| Purchase of telecommunications services | (113) | (97) |

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.

# List of Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital/ paid-up capital | Direct interest held | Indirect interest held | Held by non-controlling interests |
|---|---|---|---|---|---|---|
| Hutchison Global Communications Investment Holding Limited | The British Virgin Islands (the "BVI"), limited liability company | Investment holding | 320 ordinary shares of US$1 each | 100% | - | - |
| Hutchison Telecommunications (HK) Holdings Limited | The BVI, limited liability company | Investment holding | 1 ordinary share of US$1 each | 100% | - | - |
| Hutchison Telecom Finance Limited [1] | Hong Kong, limited liability company | Treasury services in Hong Kong | HK$1 | 100% | - | - |
| Hutchison Global Communications (Guangdong) Limited | The People's Republic of China (the "PRC"), limited liability company | Equipment trading in the PRC | RMB5,000,000 | - | 100% | - |
| Hutchison Global Communications Korea Limited | Republic of Korea, stock company | Support services in Korea | 60,000 ordinary shares of KRW5,000 each | - | 100% | - |
| Hutchison Global Communications Limited | Hong Kong, limited liability company | Fixed-line telecommunications business in Hong Kong | HK$20 | - | 100% | - |
| Hutchison Global Communications (Malaysia) Sdn. Bhd. | Malaysia, limited liability company | Telecommunications business and support services in Malaysia | 2 ordinary shares of RM1 each | - | 100% | - |
| Hutchison Global Communications Pte Limited | Singapore, limited liability company | Telecommunications business and support services in Singapore | 2 ordinary shares of SG$1 each | - | 100% | - |
| Hutchison Global Communications (Taiwan) Limited | Taiwan, limited liability company | Telecommunications business and support services in Taiwan | 100,000 ordinary shares of NTD10 each | - | 100% | - |

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital/ paid-up capital | Direct interest held | Indirect interest held | Held by non-controlling interests |
|---|---|---|---|---|---|---|
| Hutchison Global Communications (UK) Limited | The United Kingdom, limited liability company | Telecommunications business and support services in the United Kingdom | 2 ordinary shares of GBP1 each | - | 100% | - |
| Hutchison GlobalCentre Limited | Hong Kong, limited liability company | Data centre services in Hong Kong | HK$2 | - | 100% | - |
| Hutchison MultiMedia Services Limited | Hong Kong, limited liability company | Internet services in Hong Kong | HK$20 | - | 100% | - |
| Hutchison Telecommunications (Hong Kong) Limited | Hong Kong, limited liability company | Management and treasury services in Hong Kong | HK$5,000,020 | - | 100% | - |
| Hutchison Telecommunications Information Technology (Shenzhen) Limited | The PRC, limited liability company | Information technology services in the PRC | HK$10,000,000 | - | 100% | - |
| Hutchison Telecommunication Services Limited | Hong Kong, limited liability company | Telecommunications retail operations in Hong Kong | HK$20 | - | 100% | - |
| Hutchison Telephone Company Limited | Hong Kong, limited liability company | Mobile telecommunications business in Hong Kong | HK$2,730,684,340 | - | 75.9% | 24.1% |
| Hutchison Telephone (Macau) Company Limited | Macau, limited liability company | Mobile telecommunications business in Macau | MOP10,000,000 | - | 75.9% | 24.1% |
| NextGen MultiMedia Limited | The United States of America, limited liability company | Telecommunications business and support services in the United States of America | 3,000 ordinary shares of US$0.01 each | - | 100% | - |

*(1) Hutchison Telecom Finance Limited was incorporated on 27 October 2014.*

# Financial Summary

| | 2014<br>HK$ millions | 2013<br>HK$ millions | 2012<br>HK$ millions | 2011<br>HK$ millions | 2010<br>HK$ millions |
|---|---|---|---|---|---|
| **RESULTS** | | | | | |
| Turnover | 16,296 | 12,777 | 15,536 | 13,407 | 9,880 |
| Profit for the year | 963 | 1,090 | 1,515 | 1,252 | 891 |
| Non-controlling interests | (130) | (174) | (300) | (241) | (145) |
| Net profit attributable to shareholders of the Company | 833 | 916 | 1,215 | 1,011 | 746 |
| **ASSETS** | | | | | |
| Total non-current assets | 18,305 | 18,744 | 18,477 | 17,818 | 16,260 |
| Cash and cash equivalents | 359 | 209 | 182 | 182 | 180 |
| Other current assets | 2,034 | 2,052 | 2,241 | 2,086 | 1,736 |
| Total assets | 20,698 | 21,005 | 20,900 | 20,086 | 18,176 |
| **LIABILITIES** | | | | | |
| Short-term borrowings | - | – | – | 3,853 | – |
| Other current liabilities | 3,974 | 3,995 | 4,874 | 4,625 | 4,072 |
| Long-term borrowings | 3,952 | 4,571 | 3,746 | – | 3,566 |
| Other non-current liabilities | 1,063 | 1,103 | 1,189 | 1,195 | 736 |
| Total liabilities | 8,989 | 9,669 | 9,809 | 9,673 | 8,374 |
| Net assets | 11,709 | 11,336 | 11,091 | 10,413 | 9,802 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 1,205 | 1,205 | 1,205 | 1,205 | 1,204 |
| Reserves | 10,088 | 9,836 | 9,757 | 9,379 | 9,002 |
| Total shareholders' funds | 11,293 | 11,041 | 10,962 | 10,584 | 10,206 |
| Non-controlling interests | 416 | 295 | 129 | (171) | (404) |
| Total equity | 11,709 | 11,336 | 11,091 | 10,413 | 9,802 |

*Note: Details of the basis of preparation of the consolidated financial statements are set out in Note 2 to the Consolidated Financial Statements.*

# Information for Shareholders

## Listing

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and its American Depositary Shares (ADSs) are eligible for trading in the United States of America only in the over-the-counter market.

## Stock Code

215

## Public Float Capitalisation

As at 31 December 2014:
Approximately HK$3,971 million (approximately 25.12% of the issued share capital of the Company)

## Financial Calendar

| | |
|---|---|
| Payment of 2014 Interim Dividend: | 4 September 2014 |
| 2014 Final Results Announcement: | 16 February 2015 |
| Closure of Register of Members: | 6 May 2015 to 11 May 2015 |
| Annual General Meeting: | 11 May 2015 |
| Record Date for 2014 Final Dividend: | 15 May 2015 |
| Payment of 2014 Final Dividend: | 27 May 2015 |
| 2015 Interim Results Announcement: | July 2015 |

## Registered Office

Floor 4, Willow House, Cricket Square, P.O. Box 2804,
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## Head Office and Principal Place of Business

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## Principal Executive Office

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Tsing Yi, Hong Kong
Telephone: +852 2128 2828
Facsimile: +852 2128 3388

## Cayman Islands Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House, 24 Shedden Road, George Town,
Grand Cayman KY1-1110, Cayman Islands
Telephone: +1 345 949 9107
Facsimile: +1 345 949 5777

## Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: +852 2862 8628
Facsimile: +852 2865 0990

## ADS Depositary

Citibank, N.A.
Citibank Shareholder Services
P.O. Box 43077, Providence, Rhode Island 02940-3077,
the United States of America

| | |
|---|---|
| Telephone (toll free within USA): | 1 877 248 4237 |
| Telephone (outside USA): | +1 781 575 4555 |
| Facsimile: | +1 201 324 3284 |
| Email: | citibank@shareholders-online.com |

## Investor Information

Corporate press releases, financial reports and other investor information are available online at the website of the Company.

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