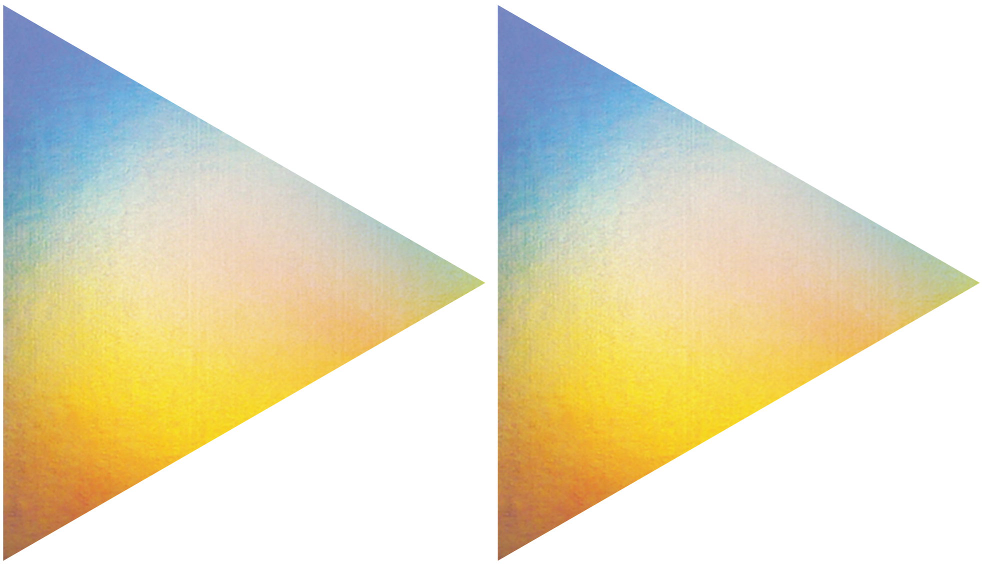
Hutchison Telecom
Hong Kong Holdings

Forward
2013 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 ▶▶

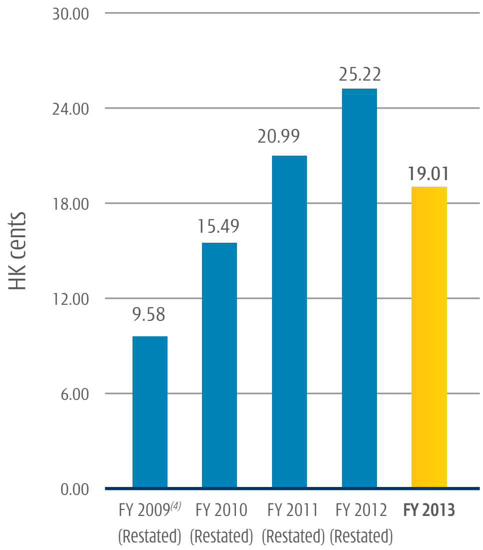
	2013 HK$ millions	2012 HK$ millions (Restated)[1]	Change
Consolidated turnover	**12,777**	15,536	-18%
Consolidated EBITDA[2]	**2,674**	3,008	-11%
Consolidated EBIT[3]	**1,339**	1,726	-22%
Profit attributable to shareholders	**916**	1,215	-25%
Earnings per share (in HK cents)	**19.01**	25.22	-25%
Final dividend per share (in HK cents)	**8.00**	13.03	-39%
Full year dividend per share (in HK cents)	**14.25**	19.08	-25%

- Turnover of mobile business was HK$9,359 million (-24%), of which hardware revenue reduced by 39% to HK$4,221 million and service revenue reduced by 6% to HK$5,138 million. EBITDA and EBIT were HK$1,570 million (-25%) and HK$961 million (-35%) respectively.

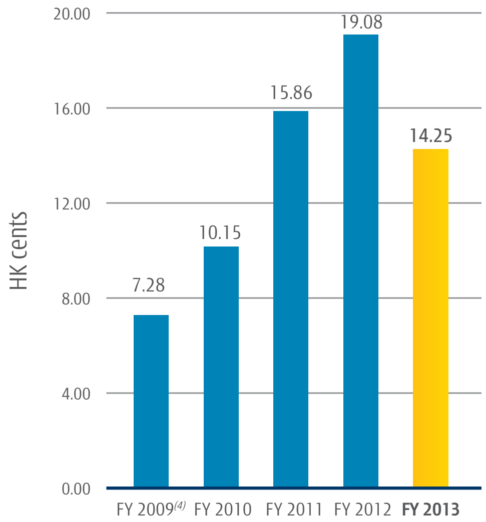
- Turnover of fixed-line business was HK$3,880 million (+7%). EBITDA and EBIT were HK$1,234 million (+18%) and HK$508 million (+33%) respectively.

- Consolidated EBITDA less capital expenditure on property, plant and equipment was HK$1,394 million, comparable with 2012.

Basic Earnings Per Share



Full Year Dividend Per Share



Notes:

(1) The annual results for the year ended 31 December 2012 have been restated to reflect a change in the accounting policy with respect to defined benefit plans for employee benefits. Such change in the accounting policy resulted in an increase in staff costs by HK$12 million in 2012.

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

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

(4) The shares of Hutchison Telecommunications Hong Kong Holdings Limited have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since May 2009.

Corporate Profile

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

Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 215) is an established integrated telecommunications operator listed on The Stock Exchange of Hong Kong Limited. We 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), we deploy advanced telecommunications technology to offer world-class telecommunications services, setting market trends and steering industry development.

We are 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

In Hong Kong, **3** Hong Kong provides advanced voice, data and roaming services via our 4G Long-Term-Evolution ("LTE"), 3G and Global System for Mobile Communications ("GSM") dual-band networks. Continuing efforts are channeled into enhancing the 4G LTE services by increasing spectrum in operation. This helps deliver users with a smooth and fast online experience.

As a mobile telecommunications operator that ranks customer needs as top priority, **3** Hong Kong offers innovative products and services including mobile wallet and direct carrier billing offerings, as well as translation and mobile social networking applications through collaborations with top-notch partners from different industries. This helps provide users with a unique and exciting experience.

In addition, we are one of the largest mobile telecommunications operators in Macau, providing GSM dual-band and 3G mobile telecommunications services.

As of 31 December 2013, our total mobile customer base in Hong Kong and Macau was maintained at approximately 3.8 million.

Fixed-line Business

In the international market, Hutchison Global Communications Limited ("HGC") runs an advanced voice, data and Internet Protocol ("IP") network with premium routings via submarine and terrestrial cables around the world. We specialise in the wholesale provision of international telecommunications and connectivity facilities, while providing the corporate market with managed service and Information and Communications Technology ("ICT") solutions. Corporations of all sizes, telecommunications carriers, mobile operators and application and content providers enjoy a wide range of international one-stop telecommunications solutions from our portfolio.

Our 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 via our sophisticated fibre-network backbone.

We offer a variety of high-performance and reliable telecommunications services to enterprises and the public sector. We also provide large-scale companies and small-to-medium sized enterprises ("SMEs") with world-class high-end solutions that combine telecommunications services, data centre, cloud computing and enterprise solutions into a flexible one-stop package. Our world-class data centre facilities in Hong Kong Island and the New Territories are equipped with the latest technologies and accredited with ISO 27001 information security management certification.

Through partnerships with leading IT specialists, HGC provides one-stop telecommunications solutions with reliability, security, scalability and connectivity, catering to the needs of local and international operations.

Our 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 via our extensive fibre-optic network.

Key Milestones

A flair for innovation and anticipating customer needs,
coupled with a track record for launching first-in-market services,
has helped us grow into one of the leading integrated operators.

▶ 1984

- Granted a licence to operate an Advanced Mobile Phone Service (AMPS) cellular radio telephone network in Hong Kong.

▶ 1985

- Commences the provision of analogue mobile telecommunications services in Hong Kong.

▶ 1995

- Launches GSM services in Hong Kong.
- Launches fixed-line telecommunications services in Hong Kong under the **HGC** brand.

▶ 1998

- Unveils Asia's first dual-band network in Hong Kong.

▶ 1999

- NTT DoCoMo makes a strategic investment into our mobile business.

▶ 2001

- Launches a GSM dual-band mobile telecommunications service in Macau.

▶ 2002

- The first operator in Asia to launch a Blackberry wireless email service in Hong Kong.

▶ 2004

- The first operator in Hong Kong to launch 3G services.
- Consolidates 3G and GSM dual-band mobile services under the **3** brand.
- Launches the world's first Inter-Autonomous System International Ethernet Service.

▶ 2005

- Introduces 100Mbps symmetrical residential broadband service.

▶ 2006

- Launches 3.6Mbps High-Speed Downlink Packet Access (HSDPA) network in Hong Kong.
- Awarded a 3G licence in Macau.

▶ 2007

- Launches 3G services in Macau under the **3** brand.
- Partners with NTT DoCoMo to to provide i-mode™ services on an exclusive basis in Hong Kong and Macau.

▶ 2008

- Signs up as Apple Inc's first launch partner for iPhone™ 3G in Hong Kong and Macau.
- The first and only operator in Hong Kong to install fibre optic cable system in the Hong Kong-Shenzhen Western Corridor.

▶ 2009

- Acquisition of Broadband Wireless Access (BWA) radio spectrum through the 50:50 joint venture, Genius Brand Limited, with Hong Kong Telecommunications (HKT) Limited.
- Listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction.

▶ 2010

- Included as a constituent of Hang Seng Composite Index, Hang Seng Composite Industry Index – Telecommunications and Hang Seng Composite Small Cap Index.

▶ 2011

- Forms strategic partnership with Vodafone Group in Hong Kong.
- Included as a constituent of Hang Seng Sustainability Benchmark Index.
- Launch of "3Home Broadband" to storm the residential broadband market.

▶ 2012

- Launches 4G service, offering data speeds up to 100Mbps.

- Boasts the largest amount of available radio spectrum for service provision in Hong Kong.
- Launches world-class Internet platform AMS-IX Hong Kong.

amsix Hong Kong

▶ 2013

- 4G LTE service achieves full MTR coverage.
- Launches mobile payment service.
- Deploys a 100G optical backbone network.
- HGC's Wi-Fi network service rebrands as "hgc on air".
- Launches enterprizCloud and bizCloud.

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

2012 Vision Awards Annual Report Competition (Telecommunications Category): Bronze
League of American Communications Professionals LLC

2013 Asia's Best Company Poll (Hong Kong)
- Best Managed Company: ranked 8th
- Best Investor Relations: ranked 7th
- Most Committed to a Strong Dividend Policy: ranked 6th

FinanceAsia

4th Asia's Best Employer Brand Awards 2013 - Asia's Best Employer Brand
Employer Branding Institute, World HRD Congress & Stars of the Industry Group

5 Years+ Caring Company
The Hong Kong Council of Social Service

Astrid Awards 2013 (Annual Reports: Corporate - Traditional Category): Silver
MerComm, Inc

Hong Kong Awards for Environmental Excellence
- Energywi$e Label: Class of Good
- Wastewi$e Label: Class of Good

Environmental Campaign Committee

Mercury Excellence Awards 2012 / 2013 (Annual Reports: Overall Presentation - Telecommunications Category): Silver
MerComm, Inc

The International ARC Awards 2013 - Cover Photo / Design (Annual Report: Telecommunications - Asia Category): Sliver
MerComm, Inc

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

Mobile

Apple Daily Advertising Award 2012 - Corporate Image: Silver
Apple Daily

AV Awards 2012 - Mobile Telecom Service Provider of the Year
AV Magazine

Customer Service Excellence Award 2012 - Outstanding Customer Service Programme Award: Gold
Hong Kong Association for Customer Service Excellence

Excellent Services Brand 2012 - Mobility Network Provider
Sing Tao Daily

Hong Kong Computer Brand Awards 2013 - Mobile Broadband Service
MetroInfo and The Chamber of Hong Kong Computer Industry

Hong Kong Leaders' Choice 2013 - Excellent Brand of Mobile Telecommunications Services
Metro Finance

Hong Kong Service Awards 2013
- Distinguished Award
- Telecommunications Service

East Week

Inspiring Smart Living Awards 2012 - Best Selling Award (Mobile Accessories Category)
Fortress

Metro Creative Awards 2013 - The Best Creative Ad
Metro Daily

Stevie Awards 2013 - International Business Award (Best New Product or Service of the Year - Telecommunication - Service)
- Gold Stevie: 3HK x WhatsApp Free the World
- Bronze Stevie: 3 Super Safe

The Stevies

Telecom Asia Awards 2013 - Most Innovative Partnership Strategy - **3** Hong Kong and WhatsApp
Telecom Asia

The 45th Distinguished Salesperson Award
Hong Kong Management Association and Sales and Marketing Executives Club

Fixed-line

Capacity Global Carrier Awards 2013
- Project of the Year: Runner Up
- Company Leadership Award: Executive of the Year

Capacity Magazine

Hong Kong Computer Brand Awards 2013 - Residential Broadband Entertainment Service
MetroInfo and The Chamber of Hong Kong Computer Industry

Hong Kong Leaders' Choice 2013 - Excellent Brand of Broadband Service
Metro Finance

IT Pro Corporate Choice 2013
- Cloud Services for Enterprise
- Cloud Services for SME

IT Pro Magazine

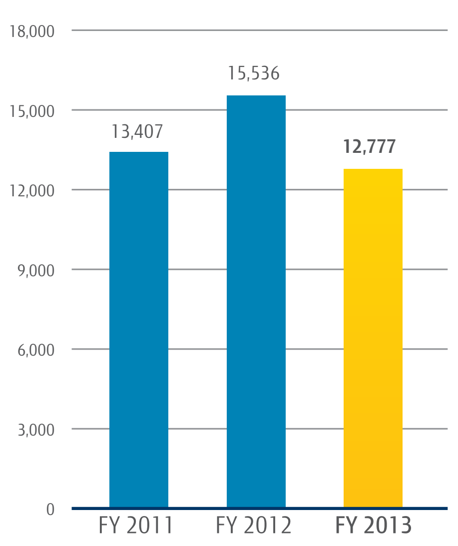
Platinum Brand Award 2013 - Business Broadband
PC3 Magazine, APPS Magazine and IT Pro Magazine

Service Awards 2013 - Business Telecommunications Service Provider
Capital Weekly

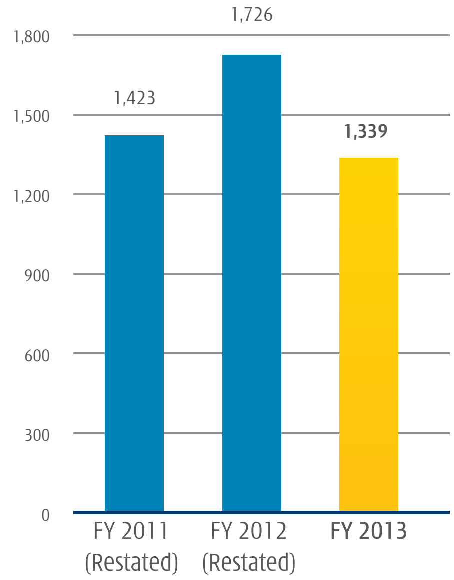
Key Financial Information

(in HK$ millions)

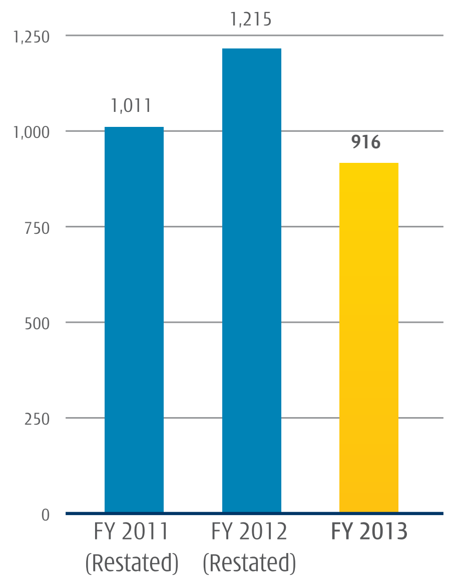
Consolidated Turnover



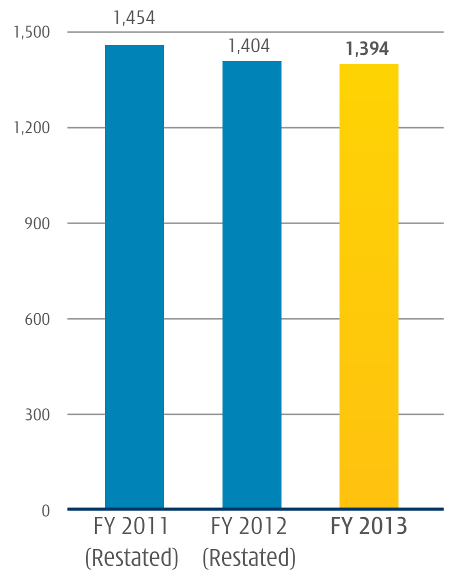
Consolidated EBIT



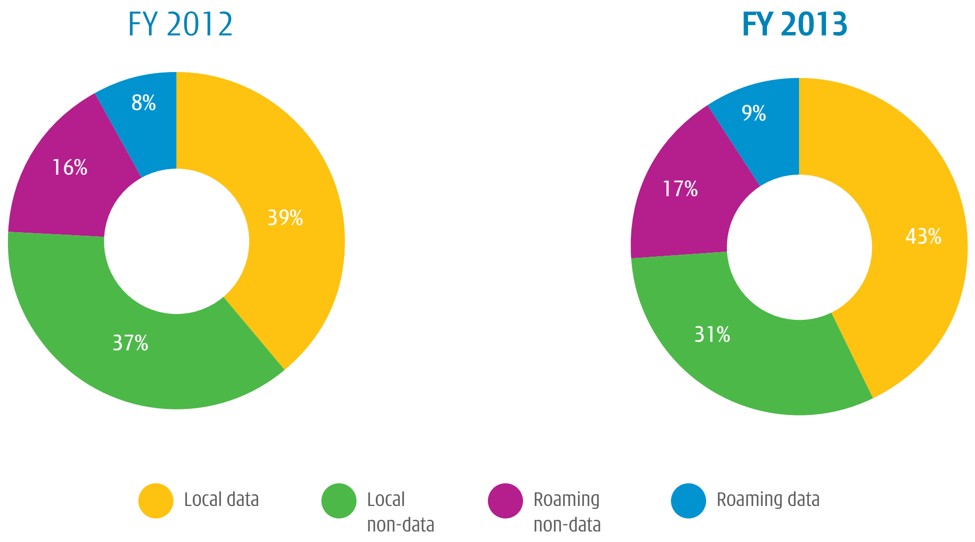
Profit Attributable to Shareholders of the Company



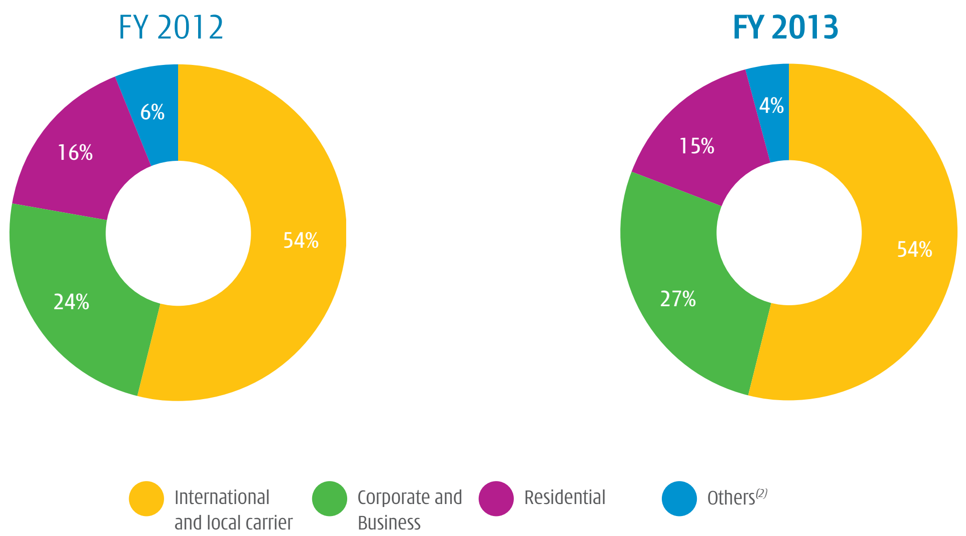
Free Cashflow (EBITDA less Capital Expenditure)



Mobile Service Revenue [1] Mix by Segments



Fixed-line Revenue Mix by Segments



Notes:

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

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

Chairman's Statement ▶▶

Year 2013 was challenging for Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group"). Despite the weak market response to smart mobile phones and devices launched in 2013, we demonstrated resilience as an integrated telecommunications operator.

Results

Consolidated turnover was HK$12,777 million in 2013 compared with HK$15,536 million in 2012. Consolidated EBITDA and EBIT in 2013 were HK$2,674 million and HK$1,339 million respectively, compared with HK$3,008 million and HK$1,726 million respectively in 2012. Profit attributable to shareholders in 2013 amounted to HK$916 million compared with HK$1,215 million in 2012. Basic earnings per share in 2013 were 19.01 HK cents compared with 25.22 HK cents in 2012.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 8.00 HK cents (2012: 13.03 HK cents) per share for the year ended 31 December 2013. The proposed final dividend will be payable on Wednesday, 28 May 2014, following approval from the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Monday, 19 May 2014, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 6.25 HK cents per share, full year dividend will amount to 14.25 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.

Business Review

Mobile business – Hong Kong and Macau

Mobile business turnover was HK$9,359 million in 2013 compared with HK$12,383 million in 2012. Revenue from mobile hardware sales dropped by 39% to HK$4,221 million as a result of lower demand for new handset models during the year. Mobile service revenue fell by 6% to HK$5,138 million of which 2% drop was due to the transition from a subsidised handset business model to a non-subsidised handset business model. The transition began in 2010 and was completed in the first half of 2013. All our postpaid customers under handset bundled contracts as at the end of 2013 were on the non-subsidised handset business model. Mobile service revenue decreased by a further 4% as customers migrated to lower-tier service plans. EBITDA and EBIT in 2013 were HK$1,570 million and HK$961 million respectively, representing a drop of 25% and 35% respectively.

As of 31 December 2013, our total number of customers in Hong Kong and Macau was maintained at approximately 3.8 million (2012: 3.8 million). Over 60% of our 3G and 4G LTE postpaid customers in Hong Kong and Macau were smart device users.

The financial performance of our mobile business is expected to stabilise and improve in subsequent periods due to the completion of transition to the non-subsidised handset business model in the first half of 2013, which had a dilutive effect on service revenue, and the removal of unlimited local data offering and introduction of additional tier-pricing in late 2013. With the continued competitive landscape in the mobile market in Hong Kong, the mobile business will focus on strengthening customer loyalty by introducing more customer-oriented services and applications.

Fixed-line business

Our fixed-line business continued to report growth during the year. In particular, we were able to capture additional demand for data transmission in the corporate and business markets. Service revenue rose by 7% from HK$3,640 million in 2012 to HK$3,880 million in 2013. EBITDA and EBIT in 2013 were HK$1,234 million and HK$508 million respectively, representing an increase of 18% and 33% respectively compared with 2012 as a result of effective cost management.

The growth momentum of fixed-line business is expected to continue, especially in the corporate and business markets, which were the key growth drivers in 2013. Continued effort and focus will be put into new product development and providing better customer experience via speed and service upgrade.

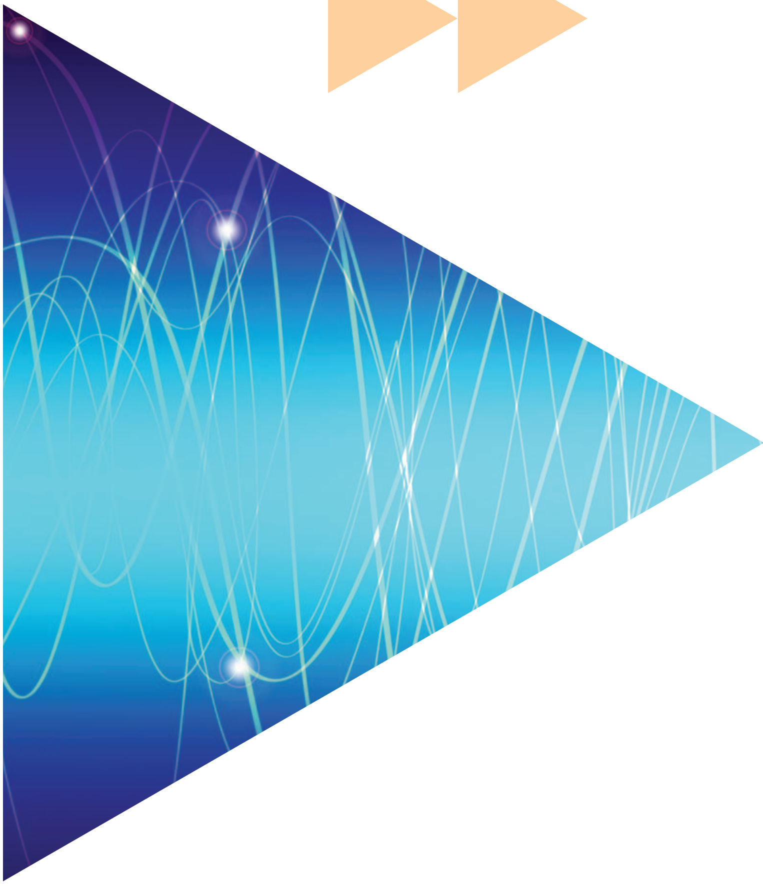
Outlook

In 2013, the improvement in the performance of our fixed-line business partially offset the fall in the mobile business. We expect that the performance of the mobile business will be improved in 2014, albeit an increase in deferred tax expenses which would affect the overall results is anticipated. As an integrated telecommunications solution provider, we will continue to develop innovative and customer-oriented mobile, fixed-line and integrated services and products for new customers. We will also look for opportunities to provide our existing customers with additional services to meet their total telecommunications needs. Our fundamentals, with state-of-the-art network infrastructure and financial strength, will serve us well as we continue our pursuit of service excellence. I have confidence in the prospects of the Group.

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, 24 February 2014



Operations Review
Mobile Business

3 is a well established mobile operator in Hong Kong and Macau, commanding a customer base of approximately 3.8 million. We will strengthen customer loyalty by constantly developing lifestyle-enhancing services and applications.

As a major mobile operator in Hong Kong and Macau, **3** always aims to provide customers with the benefits of innovation via advanced mobile networks and customer-orientated services of high quality.

As of 31 December 2013, **3** served approximately 3.8 million customers in Hong Kong and Macau. Our strategy of focusing on existing customers migrating to higher-tier plans resulted in approximately 3.5 million using 3G or 4G LTE network services by end of 2013. This represented 98% of the total postpaid customer base. As of 31 December 2013, smart device users represented over 60% of our 3G and 4G LTE postpaid customers in Hong Kong and Macau.

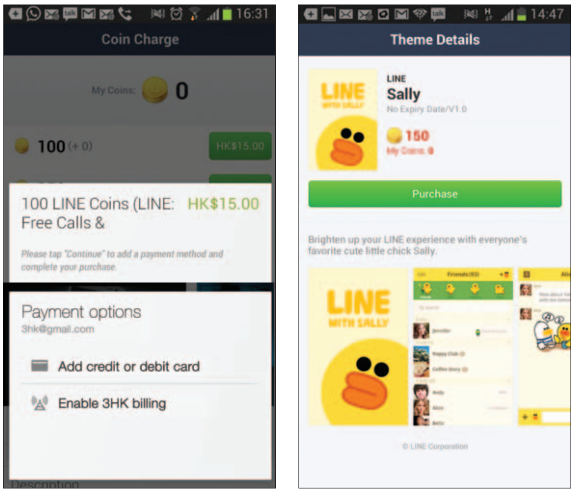
Innovative Services and Products

In June 2013, we partnered with an operating system service provider and became one of the first telecommunications operators in Greater China to launch a direct carrier billing service.

Our focus on delivering value-added services to customers led to co-operation with a number of over-the-top ("OTT") content providers. Following the launch of our WhatsApp Data Pack, we continued a strategy of service differentiation by launching various initiatives valued by customers. A prime example of **3**'s fruitful marketing efforts was the LINE Data Pack service, resulting from an exclusive tie-up with LINE Corporation, one of the world's leading platform innovators and a provider of popular instant messaging applications. In addition, we became the first telecommunications operator in Hong Kong to partner with Taiwan's i-Pair, one of the largest dating portals serving the Chinese community.

▶ 3 Citi Wallet-activated smartphones enable users to tap-and-pay with the utmost convenience.

▶ **3** provides a one-stop shopping experience.



▶ Users can make app purchases from Google Play and in-app purchases via **3**'s direct carrier billing service.

▶ **3** Hong Kong is the first telecommunications operator in Hong Kong to partner with i-Pair, one of the largest dating portals serving the Chinese community.

Launched in late 2013, the 3 Citi Wallet service blended mobile communications technology with yet another part of everyday life. Customers can now make digital payments in a secure and convenient fashion using a wide range of popular smartphone models supported by Near Field Communications technology.

3 offered customers a wide choice of advanced smartphones and tablets running the latest operating systems during the year. Models included the latest LTE Category ("CAT") 4 smartphones with download speeds up to 150Mbps.

Full-range of Data and Roaming Products

Launch of the data tier-pricing scheme for local usage exemplified our efforts to offer customers competitive tariff plans tiered according to price and entitlement levels. Even the maximum entitlement level is reached, users can continue to use data without service suspension. The tariff scheme comes with a maximum cap billing function such that customers can enjoy a smooth online experience without bill shock.

High, mid-range and low data usage customers also benefit from a wide range of data roaming tariff packages when traveling overseas. We stand out in the market with the provision of various data roaming packages to cater for different data usage levels and budgets with our innovative offerings. While our Data Roaming Daily Pass is designed for heavy data users, the new 3Roam Data Plan, a "lite" version of the popular Data Roaming Daily Pass, provides customers with

▶ The new 3Roam Data Plan provides customers with a fixed data entitlement at an attractive flat rate throughout 113 destinations.

a fixed data entitlement throughout 113 destinations with a daily roaming charge cap. Pay-as-you-go flexibility is proving popular among customers wishing to stay connected when traveling. Our WhatsApp Roaming Pass allows customers to send unlimited messages and photos via WhatsApp at a fixed daily charge.

Ongoing Network Enhancement

Our 4G LTE network runs on both 1800MHz and 2600MHz spectrum bands, which cover almost all major areas in the territory. Meanwhile, continuous network optimisation on key MTR lines enhanced the voice and data communications user experience.

In March 2013, we acquired a block of 5MHz paired spectrum on 2600MHz, via a 50:50 joint venture, to cope with ever-rising demand for high-speed network service and increasing volumes of data traffic. This new block went into operation in June 2013, adding to the original 15MHz paired spectrum to boost **3** Hong Kong's existing 4G LTE user experience. The network is now able to support the latest LTE CAT 4 devices, with customers able to enjoy maximum download/upload speeds up to 150Mbps and 50Mbps respectively. Our pursuit of network excellence is rewarded by attainment of higher speed, reliability, customer satisfaction levels and increase in 4G LTE customer subscriptions.

▶ 4G LTE service of **3** Hong Kong achieves full MTR coverage.

▶ Growth in **3** Macau continues to be driven by inbound roaming and data services.

Macau

Growth in **3** Macau continued to be driven by inbound roaming as well as data services, with increasingly more customers upgrading to smartphones and data-centric plans.

The user experience was enhanced to keep in step with increasing demand for high-speed data services. Meanwhile, GSM spectrum refarming and deployment of a U900 network are completed to extend 3G coverage across the whole of Macau.

Outlook

Looking ahead, we aim to consolidate our position as a customer-orientated telecommunications player. We are seeking to reinforce our role in the market to focus on the user experience in order to generate ever greater customer loyalty. We strive to provide a full range of initiatives tailored to achieving enjoyment, convenience and satisfaction among our customers.

Meanwhile, we will continue to enhance our network, alongside the latest mobile technologies deployment, to exceed ever-rising customer expectation and drive further growth.

Operations Review
Fixed-Line Business

HGC is a one-stop solutions provider dedicated to delivering advanced offerings, while continually modernising its network infrastructure and facilities.

Riding on our extensive fibre network and connectivity services, we continue to serve international and local carriers, corporate clients and residential customers throughout the year.

International and Local Carrier Business

Geographical expansion

We continued to pursue a strategy of geographical expansion, as one of Asia's leading telecommunications players. For example, HGC became one of the first operators to be granted permission to provide international telecommunications services in Myanmar. This strategic move strengthened our already robust market position in the Greater Mekong Sub-region and enabled international carriers and content providers around the world to improve interconnectivity there. Our solid experience in niche markets came to the fore when we extended our reach even further afield to new markets via co-operation with carriers around the world.

One-stop solutions provider

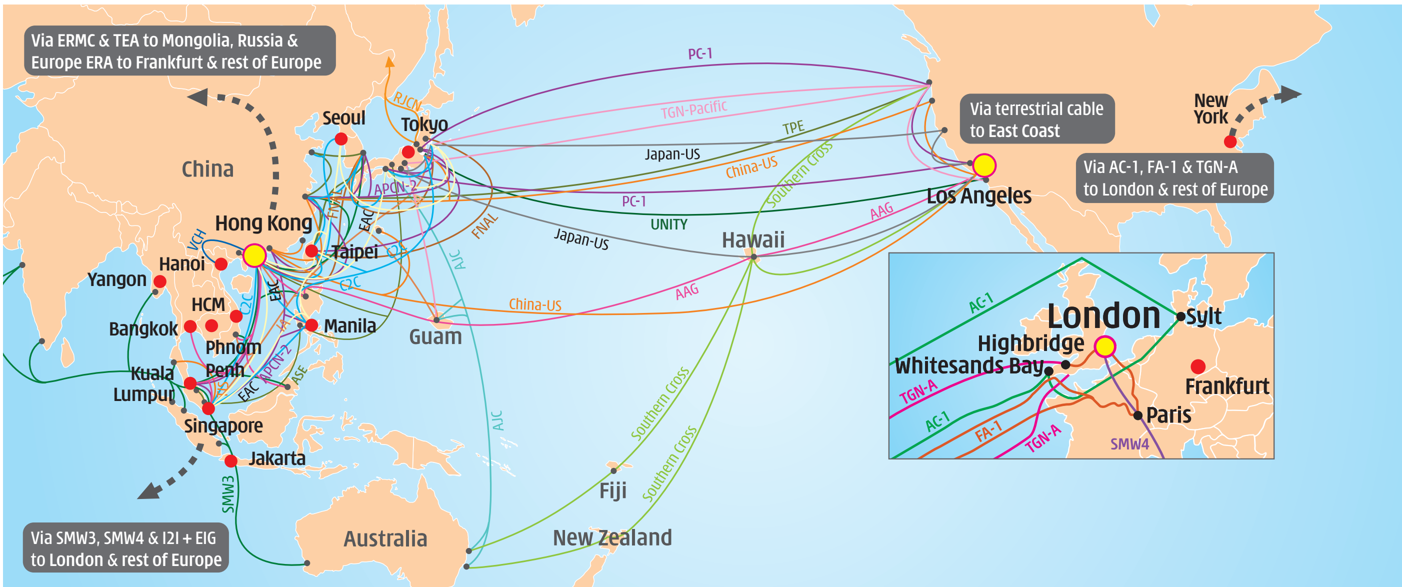
We believe HGC's market leadership has been reinforced by adoption of a strategy to evolve from a conventional capacity vendor to a one-stop solutions provider.

Following the upward trend in content and OTT provision, we launched offerings such as the Application and Content Provider Solution (ACP Solution), which is a bundled hosting service of HGC's premium data centres, connectivity and solutions that encourages content exchange, enhances application performance and improves user experience in a cost-efficient manner.

Meanwhile, our one-stop Carrier Network Extension (CNX) capability helps global carriers establish their networks and services in distant geographies, without having to take on the arduous task of entering an emerging market from scratch.

Our Internet Packet Exchange platform (IPX), for example, is now interconnected with numerous mobile carriers to facilitate their provision of roaming data, voice and signaling services via HGC's private network. This enables mobile operators to meet explosive demand for data roaming traffic generated by end users. We also expanded to meet the needs of application/content providers and introduced additional services to the existing IP platform – in a move to broaden our service portfolio and enrich our IP interconnection offerings to capture the attention of local and overseas customers.

We expanded our portfolio to include HGC cloud computing services. This enables multinational corporations and Internet Content Providers (ICP) to deploy Infrastructure-as-a-Service (IaaS), Bandwidth-as-a-Service (BaaS), Dedicated Bandwidth-as-a-Service (DBaaS) as well as on-demand virtual leased-line (ODVLL) technology.



▶ Strategic investment in diverse cable systems expanded HGC's global footprint even further afield in 2013.

Comprehensive network and connectivity services continue to serve HGC's broad customer base.

TVB Network Vision now delivers HDTV programming via HGC's extensive optical-fibre network, following a 2013 launch ceremony.

HGC now has voice interconnections with more than 370 carriers, plus direct connections with 170-plus mobile operators in more than 90 countries. We also provide video coverage in 58 countries via 160 carriers, and have increased new Voice-over-Internet-Protocol (VoIP) interconnections to open up more IP opportunities.

Ever-growing volumes of local data traffic underscore the value to customers of our high-speed, low latency services such as Metro Ethernet connection and Gigabit Access Network. In addition, our ability to meet rising demand for bandwidth in the 4G LTE era makes our services crucial to local mobile carriers, as well as international carrier customers.

Corporate and SME Market

HGC offers a wide range of off-the-shelf and tailor-made services that include broadband, data and voice to match rising levels of sophistication in the market.

In 2013, HGC started offering ROADM-based 100G network service. In addition, launch of the WiseNET next generation Metro Ethernet network service offers an ideal top-end solution for data centres and cloud service providers, thanks to its cloud-ready and ultra-low latency capabilities.

We also teamed up with a local television broadcaster to transmit pay-TV content via our optical-fibre network. The smooth and high-quality transmission technology involved delivers an enhanced audio-visual experience for viewers.

We aim to transform from a network provider to an all-round solutions provider by offering a host of cloud solutions including cloud infrastructure, application services and provision of managed services to hardware equipment and Wi-Fi solutions. enterprizCloud and bizCloud are prime examples of the latest cutting-edge additions to HGC's diverse portfolio.

Residential Market

3Home Broadband has evolved into a major market player, offering high-speed network service, as well as a range of unique and exciting initiatives.

HGC's prime focus continues to be provision of quality high-speed broadband Internet service in the form of a Fibre-to-the-Home ("FTTH") capability, delivering speeds of between 100Mbps and 1000Mbps. Current broadband coverage now exceeds 1.7 million home-passes.

The new 3Home Broadband Total Wi-Fi Solution combines our FTTH strength and city-wide Wi-Fi coverage. This means customers can enjoy ultra-fast triple Internet access via FTTH broadband service, plus indoor Wi-Fi at speeds up to 1G, as well as outdoor Wi-Fi at Hong Kong's "hgc on air" hotspots.

Another highlight of the year was launch of HelloWay, a handy smartphone app that comes complete with a fixed-line Hong Kong phone number. Users are able to make or receive calls to or from Hong Kong at home, or while travelling overseas, via Wi-Fi or a data network.

▶ HGC's outdoor Wi-Fi network service is rebranded "hgc on air".

Data Centre Business

HGC has formed a joint venture with Cheung Kong (Holdings) Limited to provide local enterprises and international corporate customers with data centre services. Our data centres are located in Hong Kong Island and the New Territories which provide geographical diversity, allowing us to offer stable and uninterrupted service. Our edge, backed by our solid network capability, enabled us to provide Internet Data Centre (IDC) services to a leading provider of comprehensive Internet services in mainland China.

Graded tier-3 or higher, our data centres are accredited with ISO 27001 certification and offer long-term service to ensure a stable, reliable and secure environment for our clients' digital assets.

Outlook

The data boom is enabling HGC to move from traditional carrier to one-stop solutions provider with a powerful OTT strategy, plus the ability to tailor services to application and content providers.

We are dedicated to delivering increasingly more advanced offerings to the market by drawing on our thorough understanding of corporate customer needs and strong partnerships with ICT leaders.

Meanwhile, we are making ongoing efforts to upgrade our network infrastructure and facilities. For example, new data centres will be built to meet rising demand from businesses from across a range of industries.

▶ HGC data centres offer a stable, reliable and secure environment for our clients' digital assets.

Management Discussion and Analysis ▸▸

Financial Review

Consolidated turnover for the year ended 31 December 2013 was HK$12,777 million compared with HK$15,536 million in 2012. The 18% drop in consolidated turnover was mainly due to the substantial drop of mobile hardware revenue by 39%, as a result of reduced demand for new handsets during the year, while service revenue was comparable with 2012. Mobile service revenue decreased by 6% to HK$5,138 million as more customers subscribed to mid and lower-tier service plans following the lower demand for new handset models which resulted in less migration to higher-tier service plans, thus offsetting the 7% growth in fixed-line service revenue. Overall consolidated service revenue was HK$8,556 million, comparable with that in 2012. Cost of inventories sold declined by 39% to HK$3,943 million in 2013, in line with the decline in mobile hardware sales.

Total operating expenses, excluding cost of inventories sold, increased by 3% from HK$7,302 million in 2012 to HK$7,495 million in 2013, mainly as a result of inflationary pressure on various costs.

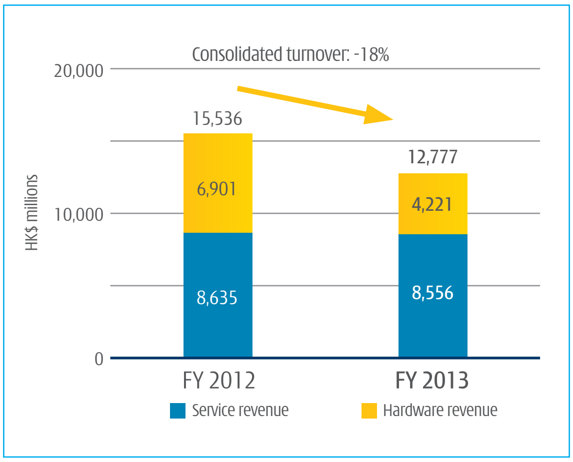
Consolidated EBITDA dropped by 11% from HK$3,008 million in 2012 to HK$2,674 million in 2013 while EBITDA margin on service revenue reduced from 35% in 2012 to 31% in 2013. Consolidated EBIT decreased by 22% from HK$1,726 million in 2012 to HK$1,339 million in 2013.

Interest and other finance costs rose from HK$166 million in 2012 to HK$181 million in 2013, as a result of a net increase in borrowings of HK$800 million. Gearing ratio, calculated by dividing net debt by net total capital, increased to 28% (2012: 24%).

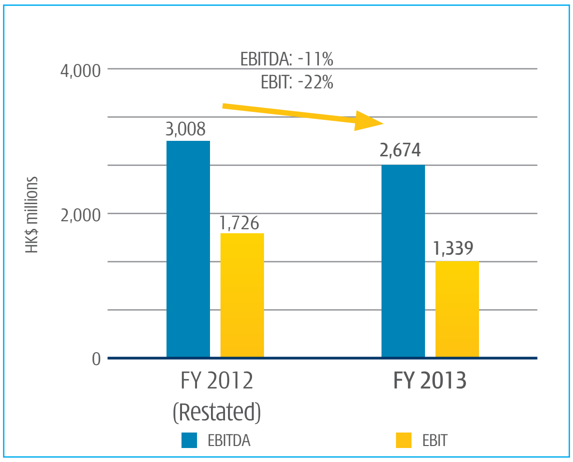
Share of losses of joint ventures in 2013 amounted to HK$12 million compared with HK$3 million in 2012, as we continued to develop our data centre facilities. Taxation was HK$77 million in 2013 compared with HK$54 million in 2012, as a result of increased fixed-line business profitability. Following years of profitability of the mobile business, brought forward tax losses are gradually being utilised. As such, we expect an increase of deferred tax expenses in 2014.

Overall, profit attributable to shareholders of the Company decreased from HK$1,215 million in 2012 to HK$916 million in 2013.

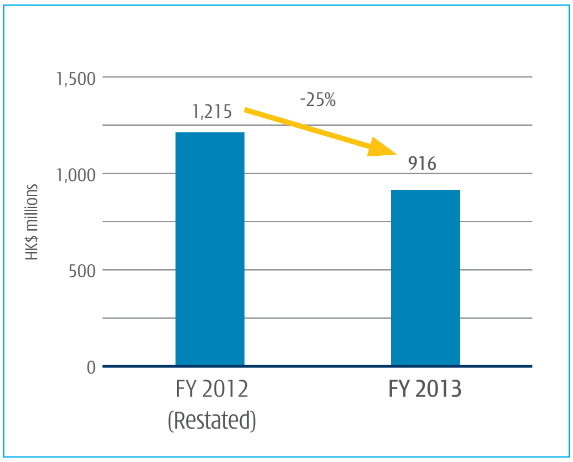
Consolidated turnover



Consolidated EBITDA and EBIT



Profit attributable to shareholders



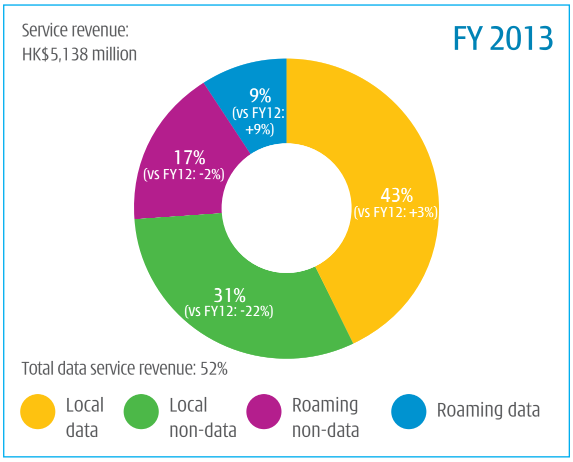
Business Review

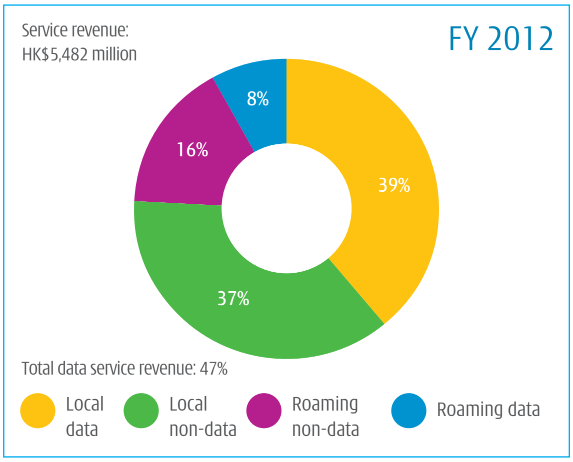
The Group is engaged in two principal businesses – mobile and fixed-line.

Mobile business in Hong Kong and Macau

Turnover for the year ended 31 December 2013 was HK$9,359 million, decreased by 24% compared with HK$12,383 million in 2012. This was mainly as a result of a 39% reduction in hardware revenue due to lower demand for new handsets, which also contributed towards a 6% drop in mobile service revenue as compared to 2012. The decrease in service revenue was mainly due to the transition to a non-subsidised handset business model, less migration to higher-tier service plans, as well as a significant drop in demand for non-data services, which was partially offset by increased demand for data services. Total data service revenue[(1)] from local and roaming is now the largest source of mobile service income, accounting for 52% (2012: 47%) of mobile service revenue, which reflects the growing importance of data services in the data-centric era. Net customer service margin[(2)] improved from 85% in 2012 to 87% in 2013 as a result of strict control of variable costs.

Mobile service revenue



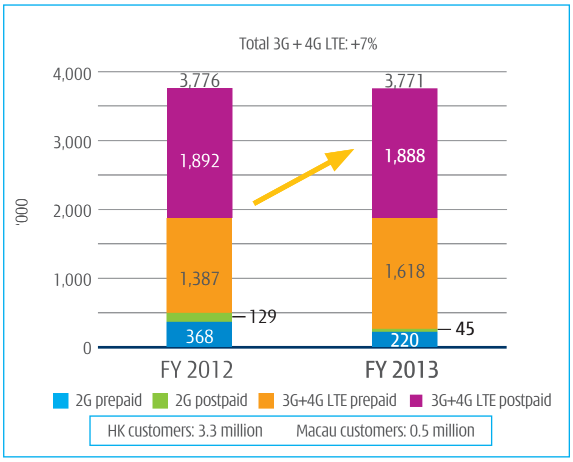


Notes:

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

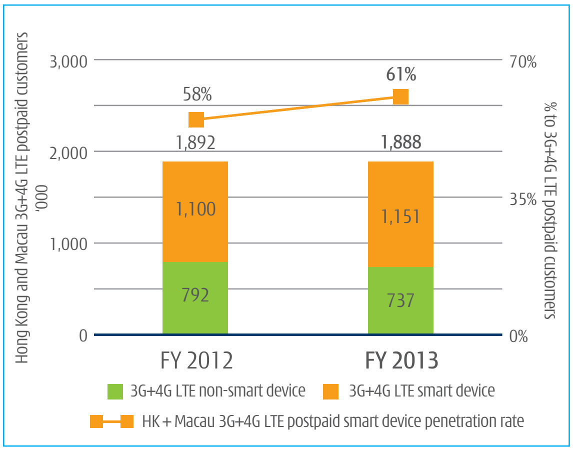
(2) Net customer service margin is defined as service revenue less direct variable costs (including interconnection charges and roaming costs).

Total customers



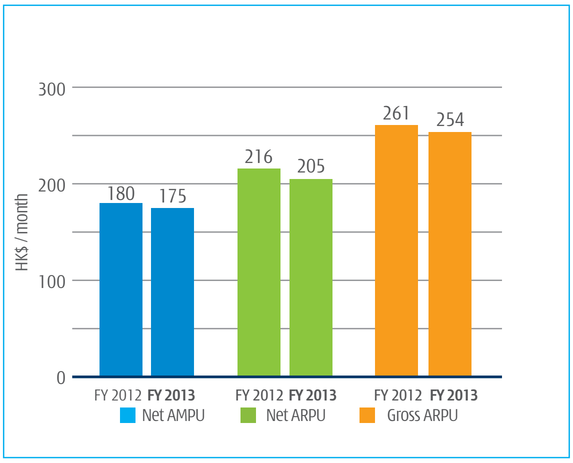
As of 31 December 2013, our Hong Kong and Macau base was maintained at approximately 3.8 million customers, of which postpaid customers totalled approximately 1.9 million (51% of total customer base). 3G and 4G LTE customers accounted for 98% amongst our total postpaid customer base. Churn rate of postpaid customers was maintained at 1.9% in 2013.

Smart device penetration



As of 31 December 2013, over 60% of our 3G and 4G LTE postpaid customers in Hong Kong and Macau were smart device users (2012: 58%). Blended postpaid gross ARPU(3) in 2013 was HK$254, compared with HK$261 in 2012 while the blended postpaid net ARPU(3) in 2013 was HK$205 compared with HK$216 in 2012. Blended postpaid net AMPU(4) in 2013 was HK$175 compared with HK$180 in 2012. Lower average net ARPU and net AMPU in 2013 were due to customers opting for lower-tier service plans and the completion of the transition from a subsidised handset business model to a non-subsidised handset business model.

Blended postpaid ARPU and AMPU



Mobile business EBITDA was HK$1,570 million in 2013, representing a 25% decrease compared with that of 2012, while corresponding EBIT was HK$961 million in 2013, representing a 35% decrease compared with 2012. The decreases were the result of a 24% shortfall in turnover, partly offset by lower operating costs including cost of inventories sold as a result of substantial effort spent on cost management. Overall EBITDA margin on service revenue was maintained at a healthy level of approximately 30% despite a substantial reduction in sales performance.

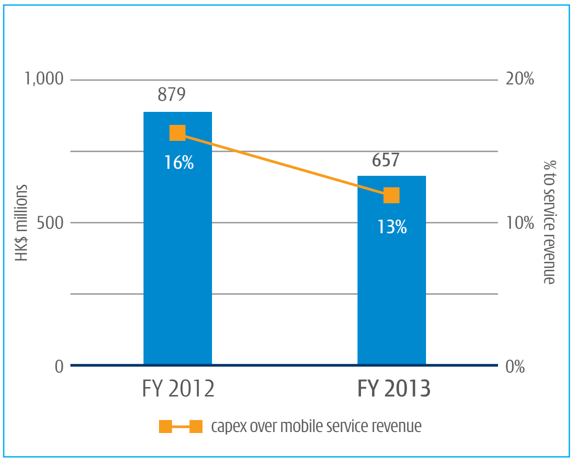
Notes:

(3) ARPU represents average revenue per user. 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. 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.

(4) AMPU represents average margin per user. Net AMPU equals net ARPU less direct variable costs (including interconnection charges and roaming costs).

Capital expenditure on property, plant and equipment in 2013 amounted to HK$657 million (2012: HK$879 million), accounting for 13% (2012: 16%) of mobile service revenue. Lower capital expenditure was spent in 2013 as roll-out of our 4G LTE network was completed. EBITDA less capital expenditure was HK$913 million in 2013, representing a 24% reduction compared with 2012.

Mobile capex



Summary of spectrum investment [1]

Spectrum band	Bandwidth	Year of expiry
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2020
1800 MHz	23.2 MHz	2021
2100 MHz	34.6 MHz	2016
2300 MHz	30 MHz	2027
2600 MHz	30 MHz[2]	2024
2600 MHz	10 MHz[2]	2028

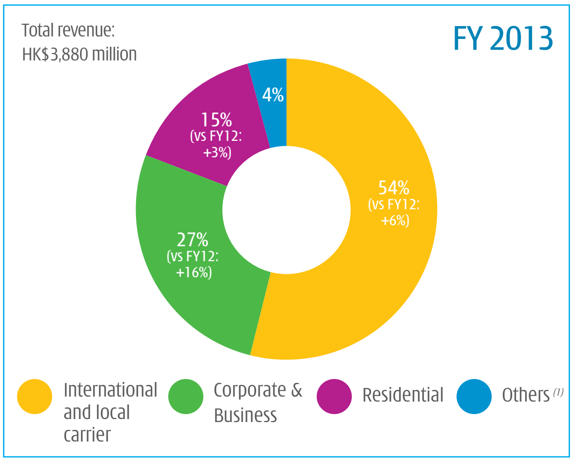
(1) Hong Kong only

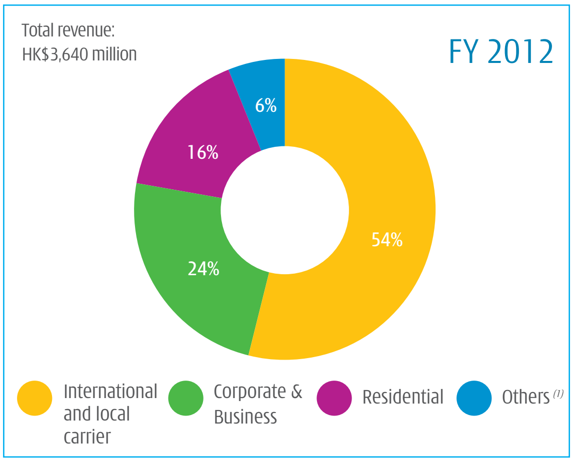
(2) Shared under a 50:50 joint venture - Genius Brand Limited

Fixed-line business

Turnover increased from HK$3,640 million in 2012 to HK$3,880 million in 2013, an increase of 7%. All major segments of the fixed-line business reported growth. Corporate and business market recorded a growth of 16% from HK$891 million in 2012 to HK$1,035 million in 2013 while we expanded our service portfolio to bring greater values to our customers. Revenue from the international and local carrier market increased as we extended our global reach and consolidated our leadership in the region. It continued to account for the largest share of total fixed-line revenue, rising 6% from HK$1,958 million in 2012 to HK$2,083 million in 2013. Revenue from the residential market grew by 3% from HK$584 million in 2012 to HK$602 million in 2013 to reflect the growing demand for high-speed broadband services.

Fixed-line revenue



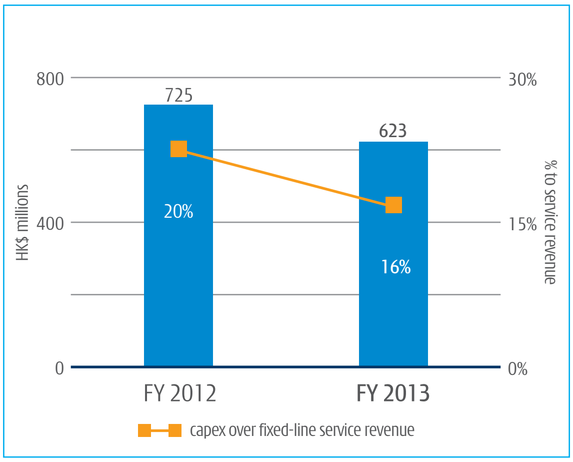


(1) *Others include revenue from interconnection charges and data centres.*

EBITDA increased by 18% from HK$1,050 million in 2012 to HK$1,234 million in 2013. EBITDA margin improved from 29% in 2012 to 32% in 2013. EBIT amounted to HK$508 million in 2013, representing an increase of 33% compared with HK$383 million in 2012.

Capital expenditure on property, plant and equipment amounted to HK$623 million in 2013 (2012: HK$725 million), representing 16% (2012: 20%) of fixed-line service revenue. EBITDA less capital expenditure improved from HK$325 million in 2012 to HK$611 million in 2013.

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 currency 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 or invest in financial products, such as 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 in Hong Kong and Macau, with transactions denominated in Hong Kong dollars and Macau Patacas. 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, 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 price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparty credit risks in relation to operating activities, which are 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 2013, the Group recorded share capital of HK$1,205 million and total equity of HK$11,336 million.

The cash and cash equivalents amounted to HK$209 million as at 31 December 2013 (2012: HK$182 million), 62% of which were denominated in Hong Kong dollars, 10% in Renminbi, 9% in United States dollars, 9% in Macau Patacas with remaining in various other currencies. As at 31 December 2013, the Group had bank borrowings of HK$4,571 million (2012: HK$3,746 million) which were denominated in Hong Kong dollars and repayable in June 2015. The gearing ratio, calculated by dividing net debt by net total capital, was 28% (2012: 24%) as at 31 December 2013, while the net debt to EBITDA was 1.6 times (2012: 1.2 times) as a result of net increase in borrowings of HK$800 million.

Cash Flows

The Group maintains a healthy financial position, benefiting from solid operating cash inflows. During the year ended 31 December 2013, net cash generated from operating activities and used in investing activities of the Group amounted to HK$1,735 million (2012: HK$2,888 million) and HK$1,571 million (2012: HK$1,945 million) respectively. Other than operating activities, major net outflow of funds under investing and financing activities during 2013 included payments for capital expenditure, investments in joint ventures for acquisition of radio spectrum and dividends.

Charges on Group Assets

As at 31 December 2013, 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 2013 was HK$1,280 million (2012: HK$1,604 million), of which mobile and fixed-line businesses accounted for HK$657 million (2012: HK$879 million) and HK$623 million (2012: HK$725 million) respectively, reflecting our continued disciplined 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 2013, a joint venture that the Group has 50% interest, acquired a block of 10MHz spectrum in the 2600MHz band with a consideration of HK$290 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

Contingent Liabilities

As at 31 December 2013, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$649 million (2012: HK$847 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of our spectrum licence obligations.

Capital Commitments

As at 31 December 2013, the Group had total capital commitments of property, plant and equipment and investments in joint ventures amounting to HK$1,626 million (2012: HK$2,051 million).

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

We operate principally in Hong Kong and Macau. 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, Macau, 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 our 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 into the future, or that the Group will be able to pursue its stated 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 our existing competitors as well as new market entrants. The development and application of new technologies involve time, substantial cost and risk. The technologies we employ may become obsolete or be subject to intense competition from new technologies in the future. Impairment of any of our assets could adversely affect the financial condition and results of operations of the Group. If we fail to develop, or obtain timely access to, new technologies and equipment, or if we fail to obtain the necessary licences and spectrum to provide services using these new technologies, we may lose customers and market share and become less profitable.

Network Performance

Some elements of our networks, such as switching and data platforms, perform critical functions for broad sectors of our network operations. Damage to such critical elements may cause an entire sector of our network coverage to be rendered non-functional and, as a result, we may not be able to provide telecommunications services to a substantial proportion of our 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.

Environmental, Social and Governance Report

We provide employees with a safe and opportunity-rich workplace,

while adhering to stringent business ethics,

preserving our environment and

channeling skills and resources into the community.

The Group is committed to the long-term sustainability of its various businesses and the support it provides to the communities in which it operates. We deliver quality products and services to our customers by managing our business prudently, while executing management decisions with due care and attention. Continuous dialogue is maintained with stakeholders, which include shareholders, customers, employees, suppliers, creditors, regulators and the general public. We seek to balance the views and interests of these constituencies via constructive conversation with a view to charting a course for our long-term prosperity and the communities we touch.

Workplace Quality

Our employees are vital assets, and we treasure loyal and industrious staff members. They are able to take advantage of many career opportunities as the Group expands. In addition, the Group adopts non-discriminatory hiring and employment practices and strives to provide 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 all forms of discrimination on the basis of ethnicity, gender, creed, religion, age, disability or sexual orientation. Group policy is to provide equal opportunities to all company personnel with regard to hiring, pay rates, training and development, promotions and other terms of employment.

With this in mind, we seek to attract and retain talented individuals committed to achieving goals and objectives in a work environment that nurtures values such as fair play, respect and integrity. Compensation packages are competitive, and individuals are rewarded according to performance, as well as an annually-reviewed framework of salary, bonuses and incentive systems. Benefits include medical cover, provident funds, retirement plans, long-service awards and a share option scheme.

As of 31 December 2013, the Group employed 1,934 full-time staff members. Staff costs during the year ended 31 December 2013, including directors' emoluments, totalled HK$783 million.

Health and safety

The Group provides a healthy and safe workplace for all employees, and has established internal guidelines and systems to protect their health and safety.

In addition, the Group engages with employees to address occupational health and safety issues. For example, first-aid training is given and designated first-aiders are present throughout various offices. We also provide access to occupational health and safety resources. In fact, health and safety considerations are incorporated into the design, operations and maintenance of our business premises.

Development and training

Heavy emphasis on career development translates into extensive and ongoing training, according to Group needs. Group policy provides in-house staff training wherever and whenever possible. Education sponsorship is also available to employees for job-related courses offered by external institutions.

We encourage employees to take part in work-life balance activities and community service. These included employee outings, sports events, community volunteering and supporting charitable organisations.

▶ We encourage employees to participate in activities that help achieve a work-life balance.

Environmental Protection

Use of resources

The Group is committed to environmental protection and strives to minimise the impact of existing business activities on the environment, while supporting conservation and environmental protection programmes.

The Group extended the scope of the "Recycling of Handset Accessories" programme initiated in 2012 to include handsets. Mobile users are encouraged to donate unwanted handsets and accessories for recycling or reuse. Recycling boxes were provided in 3Shops and handy assistance remains available to help mobile users remove old information from unwanted handsets for peace-of-mind handover. More than 2,000 items were handed to voluntary organisations in 2013.

Our retail outlets also provide an effective channel to promote environmental conservation. Videos on the "Food Angel's Food Rescue and Assistance Programme" – a food assistance initiative launched by the Bo Charity Foundation to fight hunger and food waste – were shown at 3Shops to spread green messages such as "Waste Not. Hunger Not".

Mobile users are encouraged to hand in unwanted handsets and accessories for recycling or reuse.

Short Message Service ("SMS") was sent to **3** Hong Kong customers to raise awareness of the need to reduce food waste at source.

Environment and natural resources

As part of our long-term environmental strategy to reduce paper consumption, the Group continued a large-scale "Go Paperless" campaign during 2013, which was successful in encouraging customers to opt for electronic billing via email or SMS.

3Shops switched off neon signs and billboards for an hour on the designated day, as we continued to take part in "Earth Hour" organised by the World Wide Fund for Nature Hong Kong.

We supported promotion of green adoption and green innovation in the ICT sector by sponsoring the Best Green ICT Award in the Hong Kong ICT Awards 2013. During the year, we were awarded the "Class of Good" Wastewi$e Label and Energywi$e Label in the Hong Kong Awards for Environmental Excellence, organised by the Environmental Campaign Committee, in recognition of our efforts to reduce waste and save energy.

Operating Practices

Supply chain management

The Group has the highest respect for the laws and regulations that govern the way we go about our business. We always seek to align diligently with international best practices and conduct fair and unbiased tender processes when dealing with vendors.

The Purchasing and Business Partner Evaluation Policies and Procedures of the Group provide direction and guidelines on the evaluation and engagement with major business partners. This encompasses our working relationships with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. We take into consideration factors such as quality of services and products, past performance, financial standing and market share assessment for selection of vendors and suppliers. Tendering procedures are carefully communicated to vendors. We have 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 with respect to our products and services. Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions within which we operate. The Code of Ethics of the Group promotes honest and ethical conduct and requires our people to comply with applicable governmental and regulatory laws, rules, codes and regulations.

▶ A 3Smart Service Station at a 3Shop helps extend our caring customer service beyond sales.

Compliance Committees were set up to oversee compliance matters with representatives from different business units attending Committee meetings on a regular basis. Guidelines and handbooks are issued to elaborate compliance work in a comprehensive and systematic way. Internal policies are published and posted on the intranet of the Group. In addition, we have organised a series of training sessions for relevant staff members, agents, third party vendors and business partners. Orientation trainings are conducted for new joiners while refreshment trainings are held for existing staff regularly.

In a move to ensure cybersafety for our home broadband users, we have been working to promote awareness around protecting minors from undesirable Internet content. We introduced a child-friendly application that enables youngsters to browse content specific to age and interests, all under parental guidance and supervision. We also offer our customers a host of security services including anti-virus and anti-hacker packages to fend off online threats.

We introduced various initiatives as part of our efforts to educate customers on understanding and keeping up to speed with their data usage habits. This helps customers manage data usage in their best interests. In addition, we launched the My3 application and online customer service ambassador service to help address inquiries and trouble-shooting issues in a timely fashion.

Anti-corruption

We take our anti-corruption responsibilities very seriously. The Anti-Bribery and Anti-Corruption Policy sets out standards of conduct to which all employees are required to adhere. We have established channels via which our stakeholders can report illegal or excessively-risky activities to the Board of Directors in a confidential manner. Persons making appropriate reports are assured of protection. During the year, we organised numerous corporate governance seminars to review good business practices and anti-corruption measures and guidelines, plus operating practices and business ethics.

Community Involvement

Year 2013 saw the Group being named a "Caring Company" by the Hong Kong Council of Social Service yet again. Our public engagement and donation policy helps us uphold our commitment to serving the community by way of cash donations, in-kind donations and staff participation.

Community investment

In 2013, a donation of approximately HK$500,000 was made to charitable organisations in Hong Kong and Macau, covering community projects across our focus areas of community, education, youth and the elderly.

Staff members are encouraged to play an active role in charity projects, organised either by the Group at corporate level, or by other organisations running community welfare programmes. The Group is dedicated to fostering volunteerism, as part of its corporate culture of giving back to the community. Employees are granted flexibility to volunteer for corporate-sponsored community activities during designated office hours, a move highly appreciated by charitable organisations.

Serving the community

Throughout the year, the Group participated in, and supported, various events run by social and charitable organisations. For example, the Group organised a food donation initiative in co-operation with the Gleaners Community Foodbank of Kwun Tong Methodist Social Service. The Group also supported the Information System Wing of the Hong Kong Police to take part in the Law Enforcement Torch Run for the Special Olympics 2013. This event was designed to raise funds for the Special Olympics, which organises year-round sports training and competitions for children and adults with intellectual disabilities.

We also draw on our strength in telecommunications to contribute to society. For example, we supported the Communications Association of Hong Kong to provide a free Global Positioning System ("GPS") Hiker Tracking Service to locate hikers in the event of emergency. During the year, we continued the "Lo-Yau-Kee Handsets and Monthly Service Plans Donation Programme", which was launched in 2010 to bring the elderly closer to their friends and families. Senior citizens from a number of participating charitable organisations enjoyed free elderly-friendly handsets and a waiver of service fee.

▶ The Group organised a food donation initiative in co-operation with the Gleaners Community Foodbank of Kwun Tong Methodist Social Service.

Nurturing youth

The Group also actively engages in promoting welfare among young people. During the year, the Group sponsored the "ACCA Hong Kong Business Competition 2013" to encourage the younger generation to contribute ideas towards building a better society.

▶ We supported the Communications Association of Hong Kong to provide a free GPS Hiker Tracking Service to locate hikers in the event of emergency.

▶ The Group actively engages in nurturing youngsters.

A Group cash donation went to the "One-to-One Student Sponsorship Programme" organised by U-Hearts to encourage underprivileged students in mainland China to complete their studies. A donation was also made to The Hong Kong Down Syndrome Association and Hong Kong Association for Cleft Lip and Palate to enable continued professional care and support.

The Group contributed to the "Sponsor a Student Campaign" organised by the Life Education Activity Programme, which provides drug prevention education and encourages children and young people to opt for healthy lifestyles. We also made use of our network to deliver anti-drug SMS messages to youngsters in co-operation with the Narcotics Division of the Security Bureau.

Information on Directors ▸▸

Biographical Details of Directors

FOK Kin Ning, Canning

Chairman and Non-executive Director

Fok Kin Ning, Canning, aged 62, 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 Harbour Ring Limited ("HHR"), 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 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 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 62, 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 65, 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 60, 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, HHR, HKEIM (as trustee-manager of HK Electric Investments) and HKEIL, 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 and HWL are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is also alternate director to directors of each of CKI, HTAL and TOM Group Limited ("TOM Group"). She was previously an executive director and alternate director to directors of Power Assets. She is a qualified solicitor and holds a Bachelor's degree in Business Administration.

Frank John SIXT

Non-executive Director

Frank John Sixt, aged 62, 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, 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 and 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 60, 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, deputy chairman of HHR, and a director of HTAL. In addition, he is a director of HIL, which is 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 each of HHR and HTAL. 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 66, 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, CKI, CNNC International Limited, Creative Energy Solutions Holdings Limited, Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited), New World Department Store China Limited, TOM Group and 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 73, 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 also an independent non-executive director of CKI, HHR, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust), ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust), SJM Holdings Limited and Nanyang Commercial Bank, Limited. He is also senior advisor of Mitsui & Company (Hong Kong) Limited and president of The International Institute of Management 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, 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 61, 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, a member of the 12th session of the National Committee of the Chinese People's Political Consultative Conference, the People's Republic of China, and a member of the Commission on Poverty of the Government of the Hong Kong Special Administrative Region. 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 a director of The Hongkong and Shanghai Banking Corporation Limited, and an independent non-executive director of CKH 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, 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 46, 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 chief 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). He is also alternate director to a director of each of ARA Trust Management (Suntec) Limited (as manager of Suntec Real Estate Investment Trust), and ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust). He has over 24 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 2013 Interim Report are set out below:

Name of Director	Details of changes
Fok Kin Ning, Canning	Appointed as chairman and an executive director of HKEIM (as trustee-manager of HK Electric Investments[1]) on 5 December 2013
	Appointed as chairman and an executive director of HKEIL[1] on 5 December 2013
Chow Woo Mo Fong, Susan	Appointed as an executive director of HKEIM (as trustee-manager of HK Electric Investments) on 5 December 2013
	Appointed as an executive director of HKEIL on 5 December 2013
	Resigned as an executive director of Power Assets[2] and ceased to be alternate director to each of Mr Fok Kin Ning, Canning and Mr Frank John Sixt, directors of Power Assets, on 29 January 2014
Frank John Sixt	Re-designated from an executive director to a non-executive director of Power Assets on 29 January 2014
Wong King Fai, Peter	Total emoluments decreased by HK$2,051,091 to HK$11,816,531 compared to 2012
Wong Yick Ming, Rosanna	Ceased to be a Court member of The Hong Kong University of Science and Technology on 2 January 2014

Notes:

(1) The share stapled units jointly issued by HK Electric Investments and HKEIL have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 29 January 2014.

(2) A company whose shares 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 2013, 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 "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 2013, the following interests:

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

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

(iii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.056% of the then issued share capital, in HHR; and

(iv) 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 2013, family interests in 22,000 ordinary shares, representing approximately 0.0005% of the then issued share capital, in HWL held by his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 31 December 2013, personal interests in 190,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in HWL.

Mr Frank John Sixt in his capacity as a beneficial owner had, as at 31 December 2013, personal interests in (i) 200,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in HWL; (ii) 1,000,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in HTAL; and (iii) a nominal amount of US$1,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by HWI(10).

Mr Lai Kai Ming, Dominic in his capacity as a beneficial owner had, as at 31 December 2013, personal interests in 50,000 ordinary shares, representing approximately 0.001% of the then issued share capital, in HWL.

Dr Lan Hong Tsung, David in his capacity as a beneficial owner had, as at 31 December 2013, personal interests in 20,000 ordinary shares, representing approximately 0.0005% of the then issued share capital, in HWL.

Save as disclosed above, as at 31 December 2013, none of the Directors or Chief Executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Securities Code, to be notified to the Company and the Stock Exchange.

Directors' Interests in Competing Business

During the year ended 31 December 2013, 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	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 (other than in Italy, specifically, in respect of the PLDT MVNO Arrangement [(1)]).

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

Note:

(1) It refers to the co-operation agreement dated 12 March 2008 and made amongst, HGC, PLDT Global Corporation and PLDT Italy S.r.l. for the establishment of a Mobile Virtual Network Operator/reseller business for providing mobile telecommunications services in Italy. Such co-operation agreement expired on 11 March 2013.

Information on Senior Management

Biographical Details of Senior Management

LUNG Pui Ying, Amy

Managing Director – Mobile

LUNG Pui Ying, Amy, aged 54, has been Managing Director of mobile business of the Group since September 2012, after having joined the Hutchison Whampoa Limited ("HWL") group in July 2001 as director of operations of Ommaney Holdings Limited. She then became consumer market commercial director of Hong Kong operations and was appointed Chief Operating Officer (Mobile) in May 2007. Prior to joining the HWL group, Ms Lung held various management positions at a number of mobile communications operators in Hong Kong, dealing with local and international projects. She holds a Master's degree in Business Administration from Newport University, the United States of America. Ms Lung has more than 27 years of experience in telecommunications.

TAN Yuen Chun, Jennifer

Managing Director – Fixed

TAN Yuen Chun, Jennifer, aged 50, has been Managing Director of fixed-line business of the Group since September 2012 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. 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 17 years of experience in telecommunications.

CHENG Wai Sin, Suzanne

Chief Financial Officer

CHENG Wai Sin, Suzanne, aged 39, has been Chief Financial Officer of the Group since September 2012 and joined the 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 holds a Master of Science degree in Finance. Ms Cheng has more than 16 years of experience in accounting and finance for corporate and banking sectors.

CHIANG Yung Hon, Byron

Technology Director (Fixed)

CHIANG Yung Hon, Byron, aged 48, 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 24 years of experience in telecommunications.

CHUNG Yiu Man, Daniel

Chief Technology Officer (Mobile)

CHUNG Yiu Man, Daniel, aged 46, 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 23 years of experience in telecommunications.

HO Wai Ming

Chief Executive Officer — Macau (Mobile)

HO Wai Ming, aged 60, 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 32 years of experience in telecommunications.

HO Wai Wing, Raymond

Consumer Market Director (Fixed)

HO Wai Wing, Raymond, aged 51, has led the consumer market team of fixed-line business since October 2008 and joined the Group in May 2003. Mr Ho is responsible for the sales and marketing aspects for consumer market segment of fixed-line business. He holds a Master's degree in Business Administration and has more than 29 years of experience in sales and marketing, 10 years of which were spent serving the Group.

KOO Sing Fai, Kenny

Director of Enterprise & International Business (Mobile)

KOO Sing Fai, Kenny, aged 41, has been Director of Enterprise & International Business (Mobile) of the Group since January 2014 and joined the Group in August 2006. Mr Koo is responsible for corporate market and international services, business and development aspects of mobile business. He holds a Bachelor of Science degree in Computer Science and has more than 18 years of experience in telecommunications.

KWOK Wing Pong, Andrew

International & Carrier Business Director (Fixed)

KWOK Wing Pong, Andrew, aged 53, has been International & Carrier Business Director (Fixed) of the Group since December 2012, after having joined the Group in June 2002 as International Business Director. Mr Kwok is responsible for international, carrier business and global development of fixed-line business. He also represents the Group in regional telecommunications alliance as one of the founding board members after his chairmanship. Mr Kwok has more than 33 years of experience in telecommunications.

LEE Yat Lung, Andrew

Commercial Director (Fixed)

LEE Yat Lung, Andrew, aged 44, has been Commercial Director (Fixed) of the Group since August 2005 and joined the Group in June 2002. Prior to December 2012, Mr Lee was responsible for the wholesale, carrier and corporate segments. Mr Lee is now dedicated to the business development for local market of fixed-line business. He holds a Master's degree in Business Administration and has more than 21 years of experience in telecommunications.

MA Po Chu, Debra

Marketing Director (Mobile)

MA Po Chu, Debra, aged 53, has been Marketing Director (Mobile) of the Group since January 2011 and joined the Group in September 2005. Ms Ma is responsible for marketing planning and strategies of mobile business. She holds a Bachelor of Social Science degree in Statistics and has more than 19 years of experience in telecommunications.

NG May Yuk, Frances

General Manager, Corporate Communications

NG May Yuk, Frances, aged 53, has been General Manager, Corporate Communications of the Group 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 has more than 29 years of experience in public relations, 18 years of which were spent serving the Group.

Christopher John SANDERSON

Director of Legal Services & Regulatory

Christopher John SANDERSON, aged 49, 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 26 years of experience in legal affairs working in New Zealand, Hong Kong, the United Kingdom and India, 16 years of which were spent serving the HWL group.

WONG Chong Sang, Edward

HR & Organisational Development Director

WONG Chong Sang, Edward, aged 50, 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 24 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 2013.

Principal Activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out on pages 133 to 134.

Group Profit

The consolidated income statement is set out on page 75 and shows the profit of the Group for the year ended 31 December 2013.

Dividends

An interim dividend of 6.25 HK cents per share was paid to shareholders on 5 September 2013.

The Directors recommend the declaration of a final dividend at the rate of 8.00 HK cents per share, payable on 28 May 2014 to those persons registered as shareholders of the Company on 19 May 2014, 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$0.5 million (2012: 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 2013 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 Fok Kin Ning, Canning, Mr Lai Kai Ming, Dominic and Mr Cheong Ying Chew, Henry 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 37 to 39.

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 commencing 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 Connection 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 or will constitute 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 two years ended 31 December 2012 and 31 December 2013, and the year ending 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 two years ended 31 December 2012 and 31 December 2013, and the year ending 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 2013 which are subject to the annual review requirements under the Listing Rules were approximately HK$230 million and HK$162 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 2013 and confirmed that they were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant 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 to the effect that the Continuing Connected Transactions entered into by the Group during the year ended 31 December 2013 (i) have received approval of the Board; (ii) were in accordance with the pricing policies of the Group for transactions involved provision of goods and services by the Group; (iii) were entered into in accordance with the terms of the relevant agreements governing such transactions; and (iv) did not exceed the respective annual cap amounts as referred to in the announcement dated 30 December 2011.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2013 is contained in Note 33 to the consolidated financial statements. The transactions entered into with HWL Group and 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 HWL Group and all the transactions entered into with DoCoMo Group are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.33(2) and 14A.33(3) 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 2013.

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

So far as is known to any Directors or Chief Executive of the Company, as at 31 December 2013, 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"):

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 share capital of HWL. By virtue of the above, CKH was therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested as a substantial shareholder of the Company under the SFO. CKH was also interested in the share capital of the Company through certain wholly-owned subsidiary companies of CKH.

(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 share capital of CKH. By virtue of the above and the interest of TUT1 as trustee of UT1 and its related companies in the shares in CKH, TUT1 as trustee of UT1 was therefore taken to have a duty of disclosure in relation to the interest in the relevant share capital of the Company held by or in which HWL, HIL, OHL, HTGHL or HTIHL was taken as interested (together with CKH's interest in the share capital of the Company through certain wholly-owned subsidiary companies) as a substantial shareholder of the Company under the SFO.

(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.

Save as disclosed above and so far as is known to the Directors or Chief Executive of the Company, as at 31 December 2013, 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 five 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 2013 and share options granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2013 are as follows:

Category of participants	Date of grant of share options[1]	Number of share options held at 1 January 2013	Granted during 2013	Exercised during 2013	Lapsed/ cancelled during 2013	Number of share options held at 31 December 2013	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 2013.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2013 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	38%
Five largest suppliers combined	56%

As at 31 December 2013, Mr Li, a substantial shareholder of the Company, indirectly held 275,600 shares in Hang Seng Bank Limited, one of the five largest suppliers of the Group.

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

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, approximately 25.07% 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, 24 February 2014

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 2013 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

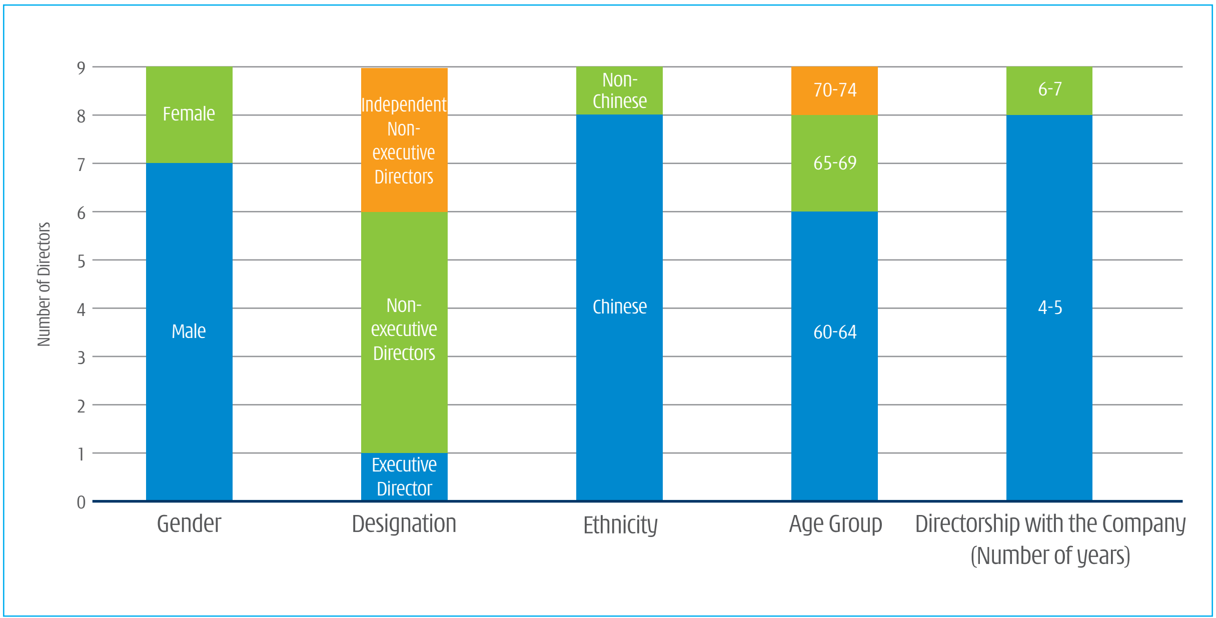
As at 31 December 2013, the Board comprised nine Directors, including the Chairman (Non-executive), the Deputy Chairman (Non-executive), an Executive Director and the Chief Executive Officer & Group Managing Director, three Non-executive Directors and three Independent Non-executive Directors.

During 2013, the Board reviewed its practices on Board diversity, formalised and 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 37 to 39 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 the 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 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 2013 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 14 May 2013 other than one Non-executive Director who was not in a position to attend due to commitment overseas.

Name of Director	Attended/ eligible to attend Board Meeting	Attended 2013 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 *(Chief Executive Officer & Group Managing Director)*	4/4	√
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 May 2013, 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 2013 is summarised as follows, representing an average of approximately 11 hours by each Director in 2013.

	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 Director 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 "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. In response to specific enquiries made, all Directors confirmed that they have complied with the Securities Code in their securities transactions throughout 2013.

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 Repurchases, 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 annual report 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 73 and 74 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 and prudent 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 2013 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 2013, 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 results, interim results, and annual and interim 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 report and annual report, 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 2013, the fees to PwC, amounting to HK$14 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 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 2013 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 was 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 and consultations, as the case may be. 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 2013 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 proposed 2014 director's fees for Executive Director and made recommendation to the Board on the directors' fees for Non-executive Directors. In addition, it reviewed and approved the year end bonus and 2014 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.

2013 remuneration

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The emoluments of each of the Directors exclude amounts received from a subsidiary of the Company and paid to a subsidiary or an intermediate holding company of the Company. The amounts paid to each Director in 2013 are 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)	0.07	-	-	-	-	0.07
Wong King Fai, Peter(5)	0.07	3.49	8.00	0.26	-	11.82
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	3.49	8.00	0.26	-	12.65

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 a subsidiary of the Company during the period they served as directors that have been paid to a subsidiary or an intermediate holding company of the Company are not included in the amounts above.

The remuneration to the members of senior management by bands in 2013 is set out below:

Remuneration bands	Number of individuals
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	3
HK$2,000,001 to HK$2,500,000	5
HK$2,500,001 to HK$3,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$4,000,001 to HK$4,500,000	1
HK$4,500,001 to HK$5,000,000	1
HK$5,000,001 to HK$5,500,000	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, was 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 2013 Annual General Meeting (the "AGM"), which was held on 14 May 2013 at Harbour Grand Kowloon, and attended by PwC and the majority of the Directors, including the Chairmen of the Board, the Audit Committee and the Remuneration Committee with attendance rate of approximately 89%. One Non-executive Director was not in a position to attend the AGM due to commitment overseas. 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 14 May 2013 are set out below:

Resolutions proposed at the AGM		Percentage of votes
1	Adoption of the audited financial statements and the reports of Directors and the Auditor for the year ended 31 December 2012	99.99%
2	Declaration of a final dividend	99.99%
3(a)	Re-election of Mr Wong King Fai, Peter as a Director	99.37%
3(b)	Re-election of Mr Frank John Sixt as a Director	91.78%
3(c)	Re-election of Dr Wong Yick Ming, Rosanna as a Director	99.67%
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 Directors to issue additional shares in the Company	83.53%
6	Granting of a general mandate to Directors to repurchase the shares of the Company	99.99%
7	Extension of the general mandate to Directors to issue additional shares of the Company	83.44%

Accordingly, 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 2014 and public float capitalisation as at 31 December 2013.

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 32 to 36.

By Order of the Board

Edith SHIH
Company Secretary

Hong Kong, 24 February 2014

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 75 to 134, which comprise the consolidated and the Company's statements of financial position as at 31 December 2013, 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 2013, 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, 24 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$ millions	(Restated) (Note 2(b)) 2012 HK$ millions
Turnover	5	12,777	15,536
Cost of inventories sold		(3,943)	(6,508)
Staff costs	7	(783)	(749)
Customer acquisition costs		(800)	(708)
Depreciation and amortisation		(1,335)	(1,282)
Other operating expenses	8	(4,577)	(4,563)
		1,339	1,726
Interest income	9	21	12
Interest and other finance costs	9	(181)	(166)
Share of results of joint ventures	18	(12)	(3)
Profit before taxation		1,167	1,569
Taxation	10	(77)	(54)
Profit for the year		1,090	1,515
Attributable to:			
Shareholders of the Company		916	1,215
Non-controlling interests		174	300
		1,090	1,515
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
– basic	11	19.01	25.22
– diluted	11	19.01	25.22

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 2013

	2013 HK$ millions	(Restated) (Note 2(b)) 2012 HK$ millions
Profit for the year	1,090	1,515
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
– Remeasurements of defined benefit plans	93	(31)
Item that may be reclassified subsequently to income statement in subsequent periods:		
– Currency translation differences	(1)	1
Total comprehensive income for the year, net of tax	1,182	1,485
Total comprehensive income attributable to:		
Shareholders of the Company	1,008	1,185
Non-controlling interests	174	300
	1,182	1,485

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

Consolidated Statement of Financial Position ▸▸

At 31 December 2013

	Note	2013 HK$ millions	2012 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	13	10,509	10,274
Goodwill	14	4,503	4,503
Telecommunications licences	15	1,538	1,702
Other non-current assets	16	1,110	1,144
Deferred tax assets	17	369	368
Investments in joint ventures	18	715	486
Total non-current assets		18,744	18,477
Current assets			
Cash and cash equivalents	19	209	182
Trade receivables and other current assets	20	1,881	2,040
Inventories	21	171	201
Total current assets		2,261	2,423
Current liabilities			
Trade and other payables	22	3,981	4,861
Current income tax liabilities		14	13
Total current liabilities		3,995	4,874
Net current liabilities		(1,734)	(2,451)
Total assets less current liabilities		17,010	16,026
Non-current liabilities			
Deferred tax liabilities	17	342	276
Borrowings	23	4,571	3,746
Other non-current liabilities	24	761	913
Total non-current liabilities		5,674	4,935
Net assets		11,336	11,091

	Note	2013 HK$ millions	2012 HK$ millions
CAPITAL AND RESERVES			
Share capital	25	**1,205**	1,205
Reserves	26	**9,836**	9,757
Total shareholders' funds		**11,041**	10,962
Non-controlling interests		**295**	129
Total equity		**11,336**	11,091

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 2013

	Note	2013 HK$ millions	2012 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	**9,054**	9,300
Other current assets		**1**	1
Cash and cash equivalents		**3**	2
Total current assets		**9,058**	9,303
Current liabilities			
Other payables		**3**	4
Payables to subsidiaries	31	**90**	89
Total current liabilities		**93**	93
Net current assets		**8,965**	9,210
Total assets less current liabilities		**12,836**	13,081
Net assets		**12,836**	13,081
CAPITAL AND RESERVES			
Share capital	25	**1,205**	1,205
Reserves	26	**11,631**	11,876
Total equity		**12,836**	13,081

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 2013

	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 2013, previously reported	1,205	11,185	(1,311)	1	(135)	17	10,962	129	11,091
Effect of change in accounting policy (Note 2(b))	-	-	(87)	-	87	-	-	-	-
At 1 January 2013, restated	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 (Note 12)	-	-	(929)	-	-	-	(929)	(8)	(937)
At 31 December 2013	1,205	11,185	(1,411)	-	45	17	11,041	295	11,336
At 1 January 2012, previously reported	1,205	11,184	(1,730)	-	(92)	17	10,584	(171)	10,413
Effect of change in accounting policy (Note 2(b))	-	-	(75)	-	75	-	-	-	-
At 1 January 2012, restated	1,205	11,184	(1,805)	-	(17)	17	10,584	(171)	10,413
Profit for the year, restated	-	-	1,215	-	-	-	1,215	300	1,515
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(31)	-	(31)	-	(31)
Currency translation differences	-	-	-	1	-	-	1	-	1
Total comprehensive income, net of tax, restated	-	-	1,215	1	(31)	-	1,185	300	1,485
Dividend paid	-	-	(808)	-	-	-	(808)	-	(808)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	1	-	1
	-	1	(808)	-	-	-	(807)	-	(807)
At 31 December 2012, restated	1,205	11,185	(1,398)	1	(48)	17	10,962	129	11,091

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$ millions	2012 HK$ millions
Cash flows from operating activities			
Cash generated from operations	27	1,842	2,969
Interest and other finance costs paid		(96)	(75)
Tax paid		(11)	(6)
Net cash generated from operating activities		1,735	2,888
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,234)	(1,596)
Additions to other non-current assets		(23)	(20)
Additions to telecommunications licences		-	(150)
Proceeds from disposals of property, plant and equipment		6	3
Payment relating to investments in joint ventures		(320)	(182)
Net cash used in investing activities		(1,571)	(1,945)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options	25	-	1
Proceeds from borrowings		2,850	5,912
Repayment of borrowings		(2,050)	(6,040)
Dividend paid to the shareholders of the Company	12	(929)	(808)
Dividend paid to non-controlling interests		(8)	(8)
Net cash used in financing activities		(137)	(943)
Increase in cash and cash equivalents		27	-
Cash and cash equivalents at 1 January		182	182
Cash and cash equivalents at 31 December	19	209	182

The accompanying notes are an integral part of these 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 24 February 2014.

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 2013, the current liabilities of the Group exceeded its current assets by approximately HK$1,734 million. Included in the current liabilities were non-refundable customer prepayments of HK$875 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$859 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 2013:

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
IAS 1 (Amendment)	Financial Statements Presentation
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Associates and Joint Ventures
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Transition Amendments
IFRS 13	Fair Value Measurements

Except as described below, the adoption of these new/revised standards and amendments to existing standards does not have an impact on the accounting policies of the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 has no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

2 Summary of Significant Accounting Policies (Continued)

(b) New/revised standards and amendments to existing standards adopted by the Group (Continued)

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes new disclosures for all form of interests in other entities, including subsidiaries and joint arrangements. Accordingly, the Group provides these disclosures in the notes to the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Accordingly, the Group provides these disclosures in the notes to the financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

IAS 19 (Revised 2011) Employee Benefits

IAS 19 (Revised 2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. IAS19 (Revised 2011) requires retrospective application. The adoption of IAS 19 (Revised 2011) had an impact on the net defined benefit obligations primarily due to the difference in accounting for interest on plan assets. The effect of the adoption of IAS 19 (Revised 2011) is explained below:

2 Summary of Significant Accounting Policies (Continued)

(b) New/revised standards and amendments to existing standards adopted by the Group (Continued)

	2013 HK$ millions	2012 HK$ millions
Increase in staff costs	(14)	(12)
Decrease in profit attributable to shareholders of the Company	(14)	(12)
Decrease in earnings per share attributable to shareholders of the Company (expressed in HK cents per share):		
– basic	(0.29)	(0.25)
– diluted	(0.29)	(0.25)

	At 1 January 2013 HK$ millions	At 1 January 2012 HK$ millions
Increase in accumulated losses	(87)	(75)
Increase in pension reserve	87	75

(c) New/revised standards, amendments and interpretations 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, amendments and interpretations to existing standards have been issued but are not yet effective for the year ended 31 December 2013:

IFRSs (Amendments) (ii)	Annual Improvements 2010-2012 Cycle
IFRSs (Amendments) (ii)	Annual Improvements 2011-2013 Cycle
IAS 19 (Amendment) (ii)	Defined Benefit Plans: Employee Contributions
IAS 32 (Amendment) (i)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendment) (i)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendment) (i)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21 (i)	Levies
IFRS 9 (iv)	Financial Instruments
IFRS 14 (iii)	Regulatory Deferral Accounts
IFRS 7 and IFRS 9 (Amendments) (iv)	Mandatory Effective Date and Transition Disclosures
IFRS 10, IFRS 12 and IAS 27 (Amendments) (i)	Investment Entities

(i) Effective for annual periods beginning on or after 1 January 2014
(ii) Effective for annual periods beginning on or after 1 July 2014
(iii) Effective for annual periods beginning on or after 1 January 2016
(iv) The original effective date of 1 January 2015 was removed. It will be set once the other phases of IFRS 9 are completed and finalised.

2 Summary of Significant Accounting Policies (Continued)

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

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

(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 fully 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 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 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.

(g) Segment reporting

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

(h) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 Summary of Significant Accounting Policies (Continued)

(h) Foreign currency translation (Continued)

(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.

(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.

2 Summary of Significant Accounting Policies (Continued)

(i) Property, plant and equipment (Continued)

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 business segments.

(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.

2 Summary of Significant Accounting Policies (Continued)

(m) Financial assets

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

(i) Loans and receivables

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

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

(ii) Impairment of financial assets

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

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

(n) Cash and cash equivalents

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

2 Summary of Significant Accounting Policies (Continued)

(o) Inventories

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

(p) Trade and other receivables

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

(q) Trade and other payables

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

(r) Borrowings

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

2 Summary of Significant Accounting Policies (Continued)

(t) Taxation and deferred taxation

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

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and 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.

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

(u) Share capital

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

(v) Contingent liabilities

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

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

2 Summary of Significant Accounting Policies (Continued)

(w) Employee benefits

(i) Pension plans

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

(a) Defined benefit plans

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. 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.

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

Past-service costs are recognised immediately 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 terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

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.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(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$.

	2013 HK$ millions	2012 HK$ millions
US$	**224**	99
EURO	**57**	37
GBP	**(8)**	–
Total net exposure: net assets	**273**	136

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.

	2013 HK$ millions	2012 HK$ millions
US$	**19**	8
EURO	**5**	3
GBP	**(1)**	–
	23	11

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:

	2013 HK$ millions	2012 HK$ millions
Borrowings at floating rates (Note 23)	**(4,571)**	(3,746)
Cash at banks and short-term bank deposits	**116**	122
Loans to joint ventures (Note 18)	**742**	498
	(3,713)	(3,126)

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 2013 and 2012 would have decreased by approximately HK$31 million and HK$26 million, respectively, mainly as a result of higher interest expenses on floating rate borrowings, interest income from cash at banks and bank deposits and interest bearing balances with jointly 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 reporting date and had been applied to the exposure to interest rate risk for the above financial assets and liabilities in existence at that date. The 100 basis point movement represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period.

3 Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

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

For 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:

	2013 **HK$ millions**	2012 HK$ millions
Cash at banks and short-term bank deposits (Note 19)	**209**	182
Trade and other receivables (Note 20)	**1,744**	1,829
	1,953	2,011

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 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

	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 2012								
Borrowings (Note 23)	3,746	3,746	-	3,800	-	-	3,800	-
Trade payables (Note 22)	870	870	-	870	870	-	-	-
Other payables, accruals and deferred revenue (Note 22)	3,827	902	2,925	902	902	-	-	-
Licence fees liabilities (Notes 22 and 24)	824	824	-	1,039	178	189	465	207
	9,267	6,342	2,925	6,611	1,950	189	4,265	207

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 2013, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$9,160 million (2012: HK$8,836 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 2013 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 carryforwards. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial position and results of operations. As at 31 December 2013, the Group has recognised deferred tax assets of approximately HK$369 million (2012: HK$368 million).

5 Turnover

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

	2013 HK$ millions	2012 HK$ millions
Mobile telecommunications services	**5,124**	5,480
Fixed-line telecommunications services	**3,432**	3,155
Telecommunications hardware	**4,221**	6,901
	12,777	15,536

6 Segment Information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. Management of the Group measures the performance of its segments based on 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 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

6 Segment Information (Continued)

	At and for the year ended 31 December 2012 (Restated)				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover – service	5,482	3,640	–	(487)	8,635
Turnover – hardware	6,901	–	–	–	6,901
	12,383	3,640	–	(487)	15,536
Operating costs	(10,295)	(2,590)	(130)	487	(12,528)
EBITDA/(LBITDA)	2,088	1,050	(130)	–	3,008
Depreciation and amortisation	(615)	(667)	–	–	(1,282)
EBIT/(LBIT)	1,473	383	(130)	–	1,726
Total assets before investments in joint ventures	9,572	10,920	13,174	(13,252)	20,414
Investments in joint ventures	393	93	–	–	486
Total assets	9,965	11,013	13,174	(13,252)	20,900
Total liabilities	(12,394)	(6,703)	(93)	9,381	(9,809)
Other information:					
Additions to property, plant and equipment	879	725	–	–	1,604
Additions to telecommunications licences	152	–	–	–	152

(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 2013 amounted to approximately HK$12,208 million (2012: HK$14,849 million) and the total revenue from external customers in Macau for the year ended 31 December 2013 amounted to approximately HK$569 million (2012: HK$687 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2013 amounted to approximately HK$17,948 million (2012: HK$17,741 million) and the total of these non-current assets located in Macau as at 31 December 2013 amounted to approximately HK$427 million (2012: HK$368 million).

7 Staff Costs

	2013 HK$ millions	(Restated) 2012 HK$ millions
Wages and salaries	808	757
Termination benefits	14	3
Pension costs		
– defined benefit plans (Note 30(a))	42	33
– defined contribution plans	12	12
Less: Amounts capitalised as non-current assets	(93)	(56)
	783	749

(a) Directors' and chief executive's emoluments

Directors' emoluments comprise payments to directors from the Company and its subsidiaries. The emoluments of each of the directors of the Company exclude amounts received from a subsidiary of the Company and paid to a subsidiary or an intermediate holding company of the Company. The amounts paid to each director and chief executive for 2013 and 2012 are as follows:

	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) (iii)	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

7 Staff Costs (Continued)

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

	2012					
	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	3.48	10.07	0.25	-	13.87
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	3.48	10.07	0.25	-	14.70

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

(ii) Mr Wong King Fai, Peter was the chief executive for the years ended 31 December 2013 and 2012 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:

	2013 Number of individual	2012 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:

	2013 HK$ millions	2012 HK$ millions
Basic salaries, allowances and benefits-in-kind	12	12
Bonuses	16	17
Provident fund contributions	1	1
	29	30

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

	2013 Number of individual	2012 Number of individual
HK$3,000,001 – HK$3,500,000	1	1
HK$3,500,001 – HK$4,000,000	-	1
HK$4,000,001 – HK$4,500,000	1	1
HK$4,500,001 – HK$5,000,000	1	1
HK$5,000,001 – HK$5,500,000	1	-
HK$11,500,001 – HK$12,000,000	1	-
HK$13,500,001 – HK$14,000,000	-	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 2013 (2012: Nil).

8 Other Operating Expenses

	2013 HK$ millions	2012 HK$ millions
Cost of services provided	**3,118**	3,047
General administrative and distribution costs	**359**	398
Operating leases in respect of		
– buildings	**503**	472
– hire of plant and machinery	**577**	564
Loss on disposals of property, plant and equipment	**-**	3
Auditor's remuneration	**13**	13
Provision for doubtful debts	**7**	66
Total	**4,577**	4,563

9 Interest and Other Finance Costs, Net

	2013 HK$ millions	2012 HK$ millions
Interest income:		
Interest income from joint ventures	**21**	12
Interest and other finance costs:		
Bank loans repayable within 5 years	**(81)**	(62)
Notional non-cash interest accretion [(a)]	**(69)**	(76)
Guarantee and other finance fees	**(40)**	(34)
	(190)	(172)
Less: Amounts capitalised on qualifying assets	**9**	6
	(181)	(166)
Interest and other finance costs, net	**(160)**	(154)

(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

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

	2012		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	45	45
Outside Hong Kong	9	-	9
	9	45	54

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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:

	2013 HK$ millions	(Restated) 2012 HK$ millions
Profit before taxation	1,167	1,569
Tax calculated at domestic rates	187	255
Expenses not deductible for taxation purposes	1	1
Utilisation of previously unrecognised tax losses	(110)	(203)
Utilisation of previously unrecognised temporary differences	(1)	(1)
Temporary differences not recognised	1	1
Tax losses not recognised	-	1
Over provision in prior years	(1)	-
Total taxation charge	77	54

11 Earnings Per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$916 million (2012: HK$1,215 million) and on the weighted average number of 4,818,896,208 (2012: 4,818,485,607) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2013 is calculated by adjusting the weighted average number of 4,818,896,208 (2012: 4,818,485,607) ordinary shares in issue with the weighted average number of 145,355 (2012: 432,063) ordinary shares deemed to be issued assuming the exercise of the share options.

12 Dividends

	2013 HK$ millions	2012 HK$ millions
Interim, paid of 6.25 HK cents per share (2012: 6.05 HK cents per share)	301	292
Final, proposed of 8.00 HK cents per share (2012: 13.03 HK cents per share)	386	628
	687	920

13 Property, Plant and Equipment

The movements of property, plant and equipment for the years ended 31 December 2013 and 2012 are as follows:

	Buildings HK$ millions	Telecom-munications infrastructure and network equipment HK$ millions	Other assets HK$ millions	Construction in progress HK$ millions	Total HK$ millions
Cost					
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

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 2012	153	17,755	3,031	512	21,451
Additions	-	768	163	673	1,604
Disposals	-	(117)	(49)	-	(166)
Transfer between categories	-	201	37	(238)	-
At 31 December 2012	153	18,607	3,182	947	22,889
Accumulated depreciation and impairment losses					
At 1 January 2012	25	9,018	2,718	-	11,761
Charge for the year	4	866	144	-	1,014
Disposals	-	(113)	(47)	-	(160)
At 31 December 2012	29	9,771	2,815	-	12,615
Net book value					
At 31 December 2012	124	8,836	367	947	10,274

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 (2012: HK$4 million) capitalised at a rate of 2.2% per annum (2012: 1.9%).

14 Goodwill

	2013 HK$ millions	2012 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	-	-

14 Goodwill (Continued)

Impairment test for goodwill

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

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

	2013 HK$ millions	2012 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 2018.

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 to determine the terminal value of the Group's respective CGUs.

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

	2013	2012
Mobile business	**4.0%**	4.7%
Fixed-line business	**2.8%**	4.7%

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 2013 indicated no impairment charge was necessary (2012: Same).

15 Telecommunications Licences

	HK$ millions
At 1 January 2012	
Cost	2,148
Accumulated amortisation	(430)
Net book value	1,718
Year ended 31 December 2012	
Opening net book value	1,718
Additions	152
Amortisation for the year	(168)
Closing net book value	1,702
At 31 December 2012	
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**

Additions of telecommunications licences included interest of HK$4 million (2012: HK$2 million, capitalised at a rate of 2.2% per annum (2012: 2.1%).

16 Other Non-Current Assets

	2013 HK$ millions	2012 HK$ millions
Prepayments	**1,057**	1,093
Non-current deposits	**53**	51
	1,110	1,144

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:

	2013 HK$ millions	2012 HK$ millions
Deferred tax assets	**369**	368
Deferred tax liabilities	**(342)**	(276)
Net deferred tax assets	**27**	92

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 2012	(975)	1,112	137
Net (charge)/credit for the year (Note 10)	(59)	14	(45)
At 31 December 2012	(1,034)	1,126	92
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**

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:

	2013 HK$ millions	2012 HK$ millions
Arising from unused tax losses	**94**	204
Arising from depreciation allowances	**7**	5
	101	209

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 2013, subject to the agreement by tax authorities, total unrecognised tax losses of approximately HK$571 million (2012: HK$1,238 million) can be carried forward indefinitely.

18 Investments in Joint Ventures

	2013 HK$ millions	2012 HK$ millions
Loans to joint ventures	**783**	538
Share of undistributed post acquisition reserves	**(68)**	(52)
	715	486

The loans to joint ventures are unsecured, have no fixed terms of repayment and non-interest bearing except for loans of HK$742 million (2012: HK$498 million) which bears interest at Hong Kong inter-bank offered rate ("HIBOR") plus 3% per annum (2012: 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:

	2013 HK$ millions	2012 HK$ millions
Net loss and total comprehensive loss for the year	**(12)**	(3)
Proportionate interests in jointly ventures' capital commitments		
Contracted but not provided for	**165**	112

As at 31 December 2013, there were no contingent liabilities related to the Group's interest in joint ventures and no contingent liabilities of joint ventures themselves (2012: Nil).

As at 31 December 2013, 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 (2012: Same).

19 Cash and Cash Equivalents

	2013 HK$ millions	2012 HK$ millions
Cash at banks and in hand	**115**	87
Short-term bank deposits	**94**	95
	209	182

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.02% per annum (2012: 0.01% to 0.31%). These deposits have an average maturity of 1 to 4 days (2012: 1 to 14 days).

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

20 Trade Receivables and Other Current Assets

	2013 HK$ millions	2012 HK$ millions
Trade receivables	**1,792**	1,927
Less: Provision for doubtful debts	**(165)**	(202)
Trade receivables, net of provision [(a)]	**1,627**	1,725
Other receivables [(b)]	**117**	104
Prepayments and deposits [(b)]	**137**	211
	1,881	2,040

(a) Trade receivables, net of provision

	2013 HK$ millions	2012 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0-30 days	**1,088**	1,133
31-60 days	**197**	245
61-90 days	**118**	97
Over 90 days	**224**	250
	1,627	1,725

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 2013, trade receivables of approximately HK$814 million (2012: HK$972 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:

	2013 HK$ millions	2012 HK$ millions
The ageing analysis of trade receivables which were past due but not provided for is as follows:		
Past due 1-30 days	**462**	608
Past due 31-60 days	**120**	106
Past due 61-90 days	**61**	52
Past due over 90 days	**171**	206
	814	972

20 Trade Receivables and Other Current Assets (Continued)

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

As at 31 December 2013, provision for doubtful debts of approximately HK$165 million (2012: HK$202 million) was recognised for trade receivables of approximately HK$883 million (2012: HK$885 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:

	2013 HK$ millions	2012 HK$ millions
At 1 January	**202**	189
Increase in provision recognised in the consolidated income statement	**153**	198
Amounts recovered in respect of brought forward balance	**(146)**	(132)
Write-off during the year	**(44)**	(53)
At 31 December	**165**	202

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 2013, the amount of inventories carried at net realisable value was approximately HK$13 million (2012: HK$13 million).

22 Trade and Other Payables

	2013 HK$ millions	2012 HK$ millions
Trade payables [(a)]	**654**	870
Other payables and accruals	**2,279**	2,880
Deferred revenue	**875**	947
Current portion of licence fees liabilities (Note 24)	**173**	164
	3,981	4,861

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

(a) Trade payables

	2013 HK$ millions	2012 HK$ millions
The ageing analysis of trade payables is as follows:		
0-30 days	**306**	404
31-60 days	**59**	76
61-90 days	**80**	67
Over 90 days	**209**	323
	654	870

23 Borrowings

	Maturity date	2013 HK$ millions	2012 HK$ millions
Unsecured bank loans			
Repayable between 1 and 2 years	2015	**4,571**	-
Repayable between 2 and 5 years	2015	**-**	3,746
		4,571	3,746

The Group's borrowings are denominated in HK$.

The carrying values of the Group's total borrowings as at 31 December 2013 and 2012 approximate their fair values which are based on cash flows discounted using the effective interest rates of the Group's total borrowings of 2.2% per annum (2012: 2.3%) and are within level 2 of the fair value hierarchy.

24 Other Non-Current Liabilities

	2013 HK$ millions	2012 HK$ millions
Non-current licence fees liabilities [(a)]	**538**	660
Pension obligations (Note 30(a))	**58**	133
Accrued expenses	**165**	120
	761	913

(a) Licence fees liabilities

	2013 HK$ millions	2012 HK$ millions
Licence fees liabilities – minimum annual fees payments:		
Not later than 1 year	**189**	178
After 1 year, but within 5 years	**523**	654
After 5 years	**149**	207
	861	1,039
Future finance charges on licence fees liabilities	**(150)**	(215)
Present value of licence fees liabilities	**711**	824
The present value of licence fees liabilities is as follows:		
Current portion of licence fees liabilities (Note 22)	**173**	164
Non-current licence fees liabilities:		
After 1 year, but within 5 years	**423**	504
After 5 years	**115**	156
	538	660
Total licence fees liabilities	**711**	824

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 (2012: Same).

25 Share Capital (Continued)

(b) Issued share capital of the Company

	Ordinary share of HK$0.25 each Number of shares	Issued and fully paid HK$ millions
At 1 January 2012	4,818,006,208	1,205
Issuance of shares arising from exercise of employee share options [(c)]	890,000	–
At 31 December 2012, 1 January 2013 and 31 December 2013	**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 2012	1.00	1,090,000
Exercised	1.00	(890,000)
At 31 December 2012, 1 January 2013 and 31 December 2013	**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%. Share options exercised in 2012 resulted in 890,000 ordinary shares of HK$0.25 each being issued at weighted average exercise price of HK$1.00 each. The related weighted average share price at the date of exercise during 2012 was HK$3.41 per share.

As at 31 December 2013, 200,000 (2012: 200,000) 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 2012, previously reported	11,184	(1,730)	-	(92)	17	9,379
Effect of change in accounting policy (Note 2(b))	-	(75)	-	75	-	-
At 1 January 2012, restated	11,184	(1,805)	-	(17)	17	9,379
Profit for the year, restated	-	1,215	-	-	-	1,215
Remeasurements of defined benefit plans	-	-	-	(31)	-	(31)
Currency translation differences	-	-	1	-	-	1
Dividend paid	-	(808)	-	-	-	(808)
Employee share option scheme						
- proceeds from shares issued	1	-	-	-	-	1
At 31 December 2012	11,185	(1,398)	1	(48)	17	9,757
At 1 January 2013, previously reported	**11,185**	**(1,311)**	**1**	**(135)**	**17**	**9,757**
Effect of change in accounting policy (Note 2(b))	**-**	**(87)**	**-**	**87**	**-**	**-**
At 1 January 2013, restated	**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 (Note 12)	**-**	**(929)**	**-**	**-**	**-**	**(929)**
At 31 December 2013	**11,185**	**(1,411)**	**-**	**45**	**17**	**9,836**

26 Reserves (Continued)

Company

	Share premium HK$ millions	Retained earnings HK$ millions	Total HK$ millions
At 1 January 2012	11,184	550	11,734
Profit for the year	-	949	949
Dividend paid	-	(808)	(808)
Employee share option scheme			
- proceeds from shares issued	1	-	1
At 31 December 2012	11,185	691	11,876
At 1 January 2013	**11,185**	**691**	**11,876**
Profit for the year	**-**	**684**	**684**
Dividend paid (Note 12)	**-**	**(929)**	**(929)**
At 31 December 2013	**11,185**	**446**	**11,631**

27 Cash Generated from Operations

	2013 HK$ millions	(Restated) 2012 HK$ millions
Cash flows from operating activities		
Profit before taxation	**1,167**	1,569
Adjustments for:		
- Interest income (Note 9)	**(21)**	(12)
- Interest and other finance costs (Note 9)	**181**	166
- Depreciation and amortisation	**1,335**	1,282
- Loss on disposals of property, plant and equipment (Note 8)	**-**	3
- Share of results of joint ventures (Note 18)	**12**	3
Changes in working capital		
- Decrease/(increase) in trade receivables and other assets	**93**	(273)
- Decrease in inventories	**30**	98
- (Decrease)/increase in trade and other payables	**(973)**	122
- Retirement benefits obligations	**18**	11
Cash generated from operations	**1,842**	2,969

28 Contingent Liabilities

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

	2013 HK$ millions	2012 HK$ millions
Performance guarantees	**634**	830
Financial guarantees	**15**	17
	649	847

29 Commitments

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

(a) Capital commitments

	2013 HK$ millions	2012 HK$ millions
Property, plant and equipment		
Contracted but not provided for	**820**	1,003
Authorised but not contracted for	**631**	791
	1,451	1,794
Investments in joint ventures		
Authorised but not contracted for	**175**	257

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

	2013 HK$ millions	2012 HK$ millions
Property, plant and equipment		
Contracted but not provided for	**26**	27

29 Commitments (Continued)

(b) Operating lease commitments

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

	Buildings	
	2013 HK$ millions	2012 HK$ millions
Not later than one year	**193**	347
Later than one year but not later than five years	**92**	134
	285	481

	Other assets	
	2013 HK$ millions	2012 HK$ millions
Not later than one year	**213**	212
Later than one year but not later than five years	**141**	130
Later than five years	**8**	9
	362	351

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

	Buildings	
	2013 HK$ millions	2012 HK$ millions
Not later than one year	**31**	73
Later than one year but not later than five years	**10**	24
	41	97

(c) Telecommunications licence fees

A subsidiary of the Company 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 2013, 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 (2012: Same).

	2013 HK$ millions	2012 HK$ millions
The amount recognised in the consolidated statement of financial position:		
Present value of funded plans' obligations	**(330)**	(369)
Less: Fair value of plan assets	**272**	236
Pension obligations recognised in the consolidated statement of financial position (Note 24)	**(58)**	(133)

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

The movement in the defined benefit obligations over the year is as follows:

	Present value of obligations HK$ millions	Fair value of plan assets HK$ millions	Total HK$ millions
At 1 January 2012	(299)	208	(91)
Amounts recognised in consolidated income statement			
Pension costs, included in staff costs (Note 7):			
- Current service cost	(32)	-	(32)
- Net interest (expense)/income	(4)	3	(1)
	(36)	3	(33)
Amounts recongised in other comprehensive income			
Remeasurements:			
- Return on plan assets, excluding amounts included in interest income	-	12	12
- Loss from change in financial assumptions	(33)	-	(33)
- Experience losses	(10)	-	(10)
	(43)	12	(31)
Contributions:			
- Employers	-	22	22
- Employees	(1)	1	-
Actual benefits paid	12	(12)	-
Net transfer	(2)	2	-
At 31 December 2012	(369)	236	(133)

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 recongised 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:

	2013 HK$ millions	2012 HK$ millions
Equity instruments	**188**	135
Debt instruments	**69**	52
Other assets	**15**	49
	272	236

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

	2013		
	Assumption used	**Impact to the defined benefit obligations if rate increase by 0.25%**	**Impact to the defined benefit obligations if rate decrease 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 obligation 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 compared to the previous period.

	2013	2012
Weighted average duration of defined benefit obligations	**10 years**	12 years

Expected contributions to defined benefit plans for the year ending 31 December 2014 are approximately HK$28 million.

30 Employee Retirement Benefits (Continued)

(a) Defined benefit plans (Continued)

Forfeited contributions totaling HK$3 million (2012: HK$3 million) were used to reduce the current year's level of contributions during the year and HK$1 million was available as at 31 December 2013 (2012: HK$0.1 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 2011 reported a funding level of 118% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6% per annum and salary increases of 4%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2013, the plan was fully funded for the funding of vested benefits 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$0.3 million (2012: HK$0.2 million) were used to reduce the current year's level of contributions during the year and insignificant amounts were available as at 31 December 2013 and 31 December 2012 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 and Hutchison Telecommunications (HK) Holdings Limited.

Particulars of principal subsidiaries are set out on pages 133 to 134.

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

31 Investments in Subsidiaries and Balances with Subsidiaries (Continued)

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

	Hutchison Telephone Company Limited	
	2013 HK$ millions	2012 HK$ millions
Summarised statement of financial position		
Assets		
Non-current assets	**10,537**	10,556
Current assets	**1,778**	1,770
	12,315	12,326
Liabilities		
Non-current liabilities	**(9,389)**	(9,303)
Current liabilities	**(2,031)**	(2,873)
	(11,420)	(12,176)
Net assets	**895**	150
Summarised income statement		
Revenue	**8,934**	12,010
Profit for the year	**742**	1,039
Total profit for the year attributable to non-controlling interests	**179**	250
Total comprehensive income	**745**	1,040
Summarised cash flows		
Net cash generated from operating activities	**467**	1,586
Net cash used in investing activities	**(676)**	(988)
Net cash generated from/(used in) financing activities	**204**	(597)
Net (decrease)/increase in cash and cash equivalents	**(5)**	1
Cash and cash equivalents at 1 January	**35**	34
Cash and cash equivalents at 31 December	**30**	35

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

32 Ultimate Holding Company

As at 31 December 2013, 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

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

	2013 HK$ millions	2012 HK$ millions
HWL Group		
Provision of mobile telecommunications services	20	23
Provision of fixed-line telecommunications services	144	127
Supply of telecommunications products, net of rebate	5	(2)
Purchase of telecommunications services	(91)	(32)
Rental expenses on lease arrangements	(85)	(77)
Dealership service expenses	(5)	(9)
Billing collection service expenses	(12)	(12)
Purchase of office supplies	(11)	(11)
Purchase of air tickets and hotel accommodation	(3)	(4)
Advertising and promotion expenses	(12)	(29)
Global procurement service arrangement expenses	(5)	(13)
Sharing of services arrangement	(38)	(37)
Corporate guarantee expenses	(8)	(2)
Purchase of property, plant and equipment	(4)	(4)
CKH Group		
Provision of mobile telecommunications services	1	2
Provision of fixed-line telecommunications services	37	37
Provision of marketing services	7	2
Rental expenses on lease arrangements	(9)	(8)
Purchase of telecommunications services	(1)	(2)
Business risks management services	(7)	(7)
Purchase of office supplies	(4)	(3)
Advertising and promotion expenses	(1)	(1)
Sharing of services arrangement	(10)	(10)
Purchase of property, plant and equipment	(19)	(18)
DoCoMo Group		
Provision of mobile telecommunications services	15	27
Purchase of property, plant and equipment	(30)	–

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 2013 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 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	20,000 ordinary shares of KRW5,000 each	-	100%	-
Hutchison Global Communications Limited	Hong Kong, limited liability company	Fixed-line telecommunications business in Hong Kong	2 ordinary shares of HK$10 each	-	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%	-
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%	-

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 GlobalCentre Limited	Hong Kong, limited liability company	Data centre services in Hong Kong	2 ordinary shares of HK$1 each	-	100%	-
Hutchison MultiMedia Services Limited	Hong Kong, limited liability company	Internet services in Hong Kong	2 ordinary shares of HK$10 each	-	100%	-
Hutchison Telecommunications (Hong Kong) Limited	Hong Kong, limited liability company	Management and treasury services in Hong Kong	2 ordinary shares of HK$10 each	-	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	2 ordinary shares of HK$10 each	-	100%	-
Hutchison Telephone Company Limited	Hong Kong, limited liability company	Mobile telecommunications business in Hong Kong	125,812 ordinary shares of HK$10 each	-	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%	-

Financial Summary ▶▶

	2013 HK$ millions	(Restated) 2012 HK$ millions	(Restated) 2011 HK$ millions	(Restated) 2010 HK$ millions	(Restated) 2009 HK$ millions
RESULTS					
Turnover	12,777	15,536	13,407	9,880	8,449
Profit for the year	1,090	1,515	1,252	891	523
Non-controlling interests	(174)	(300)	(241)	(145)	(62)
Net profit attributable to shareholders of the Company	916	1,215	1,011	746	461
ASSETS					
Total non-current assets	18,744	18,477	17,818	16,260	16,241
Cash and cash equivalents	209	182	182	180	268
Other current assets	2,052	2,241	2,086	1,736	1,245
Total assets	21,005	20,900	20,086	18,176	17,754
LIABILITIES					
Short-term borrowings	-	-	3,853	-	-
Other current liabilities	3,995	4,874	4,625	4,072	3,323
Long-term borrowings	4,571	3,746	-	3,566	4,358
Other non-current liabilities	1,103	1,189	1,195	736	729
Total liabilities	9,669	9,809	9,673	8,374	8,410
Net assets	11,336	11,091	10,413	9,802	9,344
CAPITAL AND RESERVES					
Share capital	1,205	1,205	1,205	1,204	1,204
Reserves	9,836	9,757	9,379	9,002	8,689
Total shareholders' fund	11,041	10,962	10,584	10,206	9,893
Non-controlling interests	295	129	(171)	(404)	(549)
Total equity	11,336	11,091	10,413	9,802	9,344

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

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Public Float Capitalisation

As at 31 December 2013:
Approximately HK$3,552 million (approximately 25.07% of the issued share capital of the Company)

Financial Calendar

Payment of 2013 Interim Dividend:	5 September 2013
2013 Final Results Announcement:	24 February 2014
Closure of Register of Members:	8 May 2014 to 13 May 2014
Annual General Meeting:	13 May 2014
Record Date for 2013 Final Dividend:	19 May 2014
Payment of 2013 Final Dividend:	28 May 2014
2014 Interim Results Announcement:	July 2014

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Hong Kong Share Registrar and Transfer Office

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Investor Information

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

Investor Relations Contact

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