Hutchison Telecom
Hong Kong Holdings

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)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

- The largest 3G mobile operator in Hong Kong with over 1.3 million 3G customers.
- The first operator in Hong Kong and Macau to launch iPhone 3G and 3GS with overwhelming market response.
- Consolidated turnover grew by 8% to HK$4,097 million.
- Turnover of mobile business up by 10% to HK$2,647 million and its operating profit reached HK$195 million.
- Turnover of fixed-line business increased by 7% to HK$1,623 million and its operating profit reached HK$250 million.
- Carrier, Corporate and Business markets of fixed-line business achieved double-digit growth in revenue.
- First half profit attributable to equity holders of the Company grew 4% to HK$256 million.
- Basic earnings per share increased to 5.32 HK cents.
- Interim dividend per share recommended at 1.12 HK cents.

Chairman's Statement

I am pleased to report our first interim results of the Group for the six months ended 30 June 2009 after our Listing by way of Introduction on 8 May 2009.

Results

Consolidated turnover increased by 8% to HK$4,097 million compared to HK$3,783 million in the same period last year. Profit attributable to equity holders of the Company was HK$256 million compared to HK$247 million in the same period last year, reflecting a growth of 4%. This represented a basic earnings per share of 5.32 HK cents for the six months ended 30 June 2009, compared with 5.13 HK cents in the same period last year.

Dividends

The Board recommends an interim cash dividend of 1.12 HK cents per share, or HK$54 million in total, payable on 10 September 2009 to those persons registered as shareholders on 1 September 2009. The register of members will be closed from 28 August 2009 to 1 September 2009, both days inclusive. The Board aims to manage cash resources efficiently and deliver value to our shareholders with a consistent and stable growth in dividends, linked to the underlying performance of our businesses.

Financial Review

During the six months ended 30 June 2009, the Group achieved 8% turnover growth, with turnover totalling HK$4,097 million compared to HK$3,783 million in the same period last year, mainly due to encouraging results of both mobile and fixed-line operations. Revenue in the mobile business grew 10%, while revenue in the fixed-line business grew 7%.

Total operating expenses in the first half of 2009 increased by 10% to HK$3,698 million, compared to HK$3,365 million in the same period last year. Total operating profit margin remained stable compared to 2008.

During the period, a new accounting policy was adopted to expense all customer acquisition costs ("CAC") and customer retention costs ("CRC") under other operating expenses to the income statement as incurred rather than capitalise and amortise them over the contract period. Such change in accounting policy has been accounted for retrospectively and resulted in a decrease of other intangible assets of HK$832 million (31 December 2008: HK$758 million) and net decrease of profit attributable to equity holders of HK$56 million (30 June 2008: HK$6 million). This change will help to more closely align the income statement with the cash flow statement and to increase the comparability of performance with other operators within the global industry.

Depreciation and amortisation decreased by 6% to HK$650 million in 2009 from HK$688 million in the same period last year.

Operating profit amounted to HK$399 million compared to HK$418 million during the same period last year. The decrease was mainly due to higher CAC and CRC during the period.

Interest and other finance costs in the first half of 2009 dropped by 30% to HK$73 million, compared to HK$105 million in the same period of 2008, reflecting lower market interest rates.

Taxation decreased by 19% to HK$38 million compared to HK$47 million in the same period last year, which is in line with estimated taxable profits of the various subsidiaries in the Group.

As a result of the foregoing, profit attributable to equity holders of the Company was HK$256 million compared to HK$247 million in 2008, a 4% increase.

Business Review

Mobile Business – Hong Kong and Macau

Turnover from mobile operations increased by 10% to HK$2,647 million compared to HK$2,413 million in the same period last year mainly driven by increasing data services, as well as the sales of mobile handsets and related accessories. The mobile customer base grew 7% to a total over 2.7 million.

Mobile postpaid ARPU decreased to HK$202 compared to HK$209 in the same period last year. The lower ARPU was due mainly to lower inbound roaming revenue and heightened price competition in the voice market. While voice revenue was affected by sustained price competition and weakened market conditions, we saw continued growth in data services revenue which grew more than 60% in the period.

Operating costs increased by HK$338 million which was in line with turnover growth. The increase was mainly due to higher CAC and CRC incurred to grow and enhance our business and premium customer base.

Fixed-line Business – Hong Kong

Turnover increased by 7% to HK$1,623 million compared with HK$1,516 million in the same period last year. The growth was mainly driven by the increasing presence of our business in markets with high growth potential, expanding international network footprint and the provision of premium network routings which together enabled us to broaden our customer base and solicit higher yield Carrier, Corporate and Business customers. Following years of network expansion, our fixed-line business is now one of the leading operators in the market with extensive fibre coverage.

We own and operate an extensive fibre-to-the-building telecommunications network in Hong Kong. Fibre-optic networks are able to support a higher volume of traffic at faster transmission speeds for Internet and data communications compared to traditional copper cable networks. The revenue of the Carrier market jumped by 19% while Corporate and Business revenues improved by 10% when compared with same period in last year. The growth was fuelled by both data and IDD usage as driven by the increasing customers' demand. For residential services, we provide broadband services of up to 100Mbps with a homepass covering more than 1.4 million residential units.

Operating costs, including network operating expenses, increased by HK$55 million which was in line with higher turnover. Depreciation and amortisation was maintained at the same level of HK$316 million.

Outlook

The Group reported encouraging results with growth in its well-established businesses and good progress in the rollout of its network. We have built an advanced and integrated mobile and fixed-line infrastructure that can fulfill our customers' growing demand in both bandwidth capacity and service applications. Our financial position and operating cash flow are strong.

With our successful bid in conjunction with Hong Kong Telecommunications (HKT) Limited for Broadband Wireless Access ("BWA") radio spectrum in Hong Kong, we will be providing our customers with new and enhanced content and services in the future. The BWA licence paves the way to establish a next generation platform for high speed data services with potential download speed of over 100Mbps, which further cements our leadership position in the mobile data market.

Our fixed-line and mobile businesses have been engaged in commercial negotiation with the other major network operators for the purpose of establishing the charging arrangement for the fixed-line and mobile interconnection effective from 27 April 2009 and, as of now, we have reached commercial agreements with a majority of them on the "Bill and Keep" arrangement. These positive steps are conducive to a stable operating environment.

Telecommunications markets in Hong Kong and Macau in the past months were dynamic, but challenging amid the global economic downturn. Our strong established businesses are targeting to deliver a solid performance, despite the uncertain global economic outlook. We are well positioned to capture fully the opportunities arising in Hong Kong and Macau from global bandwidth demand and increasing mobile data usage.

Appreciation

Finally, I would like to take this opportunity to express my gratitude to the Board of Directors and all the staff members for their dedication, professionalism and contributions to the Group.

FOK Kin-ning, Canning
Chairman

Hong Kong, 12 August 2009

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Unaudited 2009 HK$ millions	(Restated) Unaudited 2008 HK$ millions
Turnover	4	4,097	3,783
Cost of inventories sold		(279)	(138)
Staff costs		(310)	(296)
Depreciation and amortisation		(650)	(688)
Other operating expenses		(2,459)	(2,243)
Operating profit		399	418
Interest income	6	-	9
Interest and other finance costs	6	(73)	(105)
Share of results of jointly controlled entities		(8)	-
Profit before taxation		318	322
Taxation	7	(38)	(47)
Profit for the period		280	275
Attributable to:			
Equity holders of the Company		256	247
Minority interest		24	28
		280	275
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
- basic	8	5.32	5.13
- diluted	8	5.32	5.13

Details of interim dividend to equity holders of the Company are set out in Note 9.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited 2009 HK$ millions	(Restated) Unaudited 2008 HK$ millions
Profit for the period	280	275
Other comprehensive income and net income recognised directly in equity		
Currency translation differences	-	1
Total comprehensive income for the period, net of tax	280	276
Total comprehensive income attributable to:		
Equity holders of the Company	256	248
Minority interest	24	28
	280	276

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

	Note	Unaudited 30 June 2009 HK$ millions	(Restated) 31 December 2008 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		9,532	9,557
Goodwill		4,504	4,503
Other intangible assets		361	385
Other non-current assets		1,340	1,377
Deferred tax assets		368	368
Investments in jointly controlled entities		275	88
Total non-current assets		16,380	16,278
Current assets			
Cash and cash equivalents	10	276	272
Trade receivables and other current assets	11	1,159	1,137
Inventories		117	181
Total current assets		1,552	1,590
Total assets		17,932	17,868
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		1,204	-
Reserves		8,489	(2,949)
		9,693	(2,949)
Minority interest		(588)	(612)
Total equity		9,105	(3,561)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		114	80
Other non-current liabilities		677	641
Total non-current liabilities		791	721
Current liabilities			
Trade and other payables	12	3,230	3,062
Payable to a related company		-	12,418
Borrowings		4,795	5,220
Current income tax liabilities		11	8
Total current liabilities		8,036	20,708
Total liabilities		8,827	21,429
Total equity and liabilities		17,932	17,868
Net current liabilities		(6,484)	(19,118)
Total assets less current liabilities		9,896	(2,840)

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserves HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Minority interest HK$ millions	Total equity HK$ millions
As at 1 January 2009, previously reported	-	-	(2,329)	1	(83)	-	17	(2,394)	(443)	(2,837)
Effect of change in accounting policy (Note 3(a))	-	-	(555)	-	-	-	-	(555)	(169)	(724)
As at 1 January 2009, restated	-	-	(2,884)	1	(83)	-	17	(2,949)	(612)	(3,561)
Profit for the period	-	-	256	-	-	-	-	256	24	280
Issue of shares	1,204	11,214	-	-	-	-	-	12,418	-	12,418
Share issuance costs	-	(33)	-	-	-	-	-	(33)	-	(33)
Employee share option scheme - value of services provided	-	-	-	-	-	1	-	1	-	1
As at 30 June 2009	1,204	11,181	(2,628)	1	(83)	1	17	9,693	(588)	9,105
As at 1 January 2008, previously reported	-	-	(2,759)	1	13	-	17	(2,728)	(581)	(3,309)
Effect of change in accounting policy	-	-	(355)	-	-	-	-	(355)	(138)	(493)
As at 1 January 2008, restated	-	-	(3,114)	1	13	-	17	(3,083)	(719)	(3,802)
Currency translation differences	-	-	-	1	-	-	-	1	-	1
Profit for the period	-	-	247	-	-	-	-	247	28	275
As at 30 June 2008	-	-	(2,867)	2	13	-	17	(2,835)	(691)	(3,526)

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	Unaudited 2009 HK$ millions	(Restated) Unaudited 2008 HK$ millions
Cash flows from operating activities			
Cash generated from operations		1,200	1,066
Interest and other finance costs paid		(35)	(67)
Tax paid		(1)	-
Net cash generated from operating activities		1,164	999
Cash flows from investing activities			
Purchases of property, plant and equipment		(560)	(371)
Additions to other non-current assets		(23)	(10)
Proceeds from disposal of property, plant and equipment		1	4
Payment relating to investments in jointly controlled entities		(195)	(18)
Release of held-to-maturity securities		-	184
Repayment of loan from the partner of a jointly controlled entity		75	-
Interest received		-	9
Net cash used in investing activities		(702)	(202)
Cash flows from financing activities			
Proceeds from borrowings		5,035	4,000
Repayment of loans		(5,460)	(4,236)
Share issuance costs		(33)	-
Increase in payables to related companies		-	10
Net cash used in financing activities		(458)	(226)
Increase in cash and cash equivalents		4	571
Cash and cash equivalents as at 1 January		272	275
Cash and cash equivalents as at 30 June	10	276	846

NOTES

1 General information

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

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

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 May 2009 and whose American depositary shares, each representing ownership of 15 shares, are eligible for trading in the United States only in the over-the-counter market.

This unaudited condensed consolidated interim financial report ("interim financial report") has been approved for issuance by the Board of Directors on 12 August 2009.

2 Basis of preparation

This interim financial report is for the six months ended 30 June 2009. It has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". This interim financial report should be read in conjunction with the Accountant's Report set out in Appendix I to the Company's Listing Document dated 20 April 2009.

As at 30 June 2009, the Group's current liabilities exceeded its current assets by approximately HK$6,484 million. The Group's future funding requirements will be met through a revolving credit and term loan facility of HK$5,200 million from a group of international commercial banks which is available up to 30 June 2010. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, the Directors consider that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the Directors have prepared this interim financial report on a going concern basis.

3 Significant accounting policies

In the current period, the Group has adopted all of the new and revised standards, amendments and interpretations that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2009. The adoption of these new and revised standards, amendments and interpretations has resulted in certain changes to the presentation of this interim financial report.

Except as described below, the accounting policies and methods of computation used in the preparation of this interim financial report are consistent with those used in the Accountant's Report set out in Appendix I to the Company's Listing Document dated 20 April 2009.

3 Significant accounting policies (Continued)

(a) Customer acquisition and retention costs

Telecommunications customer acquisition and retention costs comprise the net costs to acquire and retain telecommunications customers.

In the prior years, these costs to acquire and retain customers on contracts with early termination penalty clauses were capitalised and amortised on a straight-line basis through amortisation expense in the income statement over the minimum enforceable contractual period. Having undertaken a comprehensive review of the policies of other businesses operating in the telecommunications sector particularly those operating in Europe, with effect from 1 January 2009, the Group has changed its policy to expense these costs in operating expenses as the costs are incurred. The Group believes that this change will bring our policy in line with other major telecommunications companies, provide greater comparability with such businesses and align more closely our profit and loss performance with our cash flow, and will therefore provide reliable and more relevant information to shareholders and other users of the financial statements. Comparative information has been restated to reflect this change in policy.

3 Significant accounting policies (Continued)

(a) Customer acquisition and retention costs (Continued)

(i) Effect on the condensed consolidated income statement for the six months ended 30 June 2008

	Before change in accounting policy HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
Turnover	3,783	-	3,783
Cost of inventories sold	(138)	-	(138)
Staff costs	(296)	-	(296)
Depreciation and amortisation	(966)	278	(688)
Other operating expenses	(1,962)	(281)	(2,243)
Operating profit	421	(3)	418
Interest income	9	-	9
Interest and other finance costs	(105)	-	(105)
Profit before taxation	325	(3)	322
Taxation	(47)	-	(47)
Profit for the period	278	(3)	275
Attributable to:			
Equity holders of the Company	253	(6)	247
Minority interest	25	3	28
	278	(3)	275
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
- basic	5.26	(0.13)	5.13
- diluted	5.26	(0.13)	5.13

3 Significant accounting policies (Continued)

(a) Customer acquisition and retention costs (Continued)

(ii) Effect on the condensed consolidated statement of financial position as at 31 December 2008

	Previously reported HK$ millions	Effect of change in accounting policy HK$ millions	Restated HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment	9,557	-	9,557
Goodwill	4,478	25	4,503
Other intangible assets	1,143	(758)	385
Other non-current assets	1,377	-	1,377
Deferred tax assets	368	-	368
Investments in jointly controlled entities	88	-	88
Total non-current assets	17,011	(733)	16,278
Current assets			
Cash and cash equivalents	272	-	272
Trade receivables and other current assets	1,137	-	1,137
Inventories	181	-	181
Total current assets	1,590	-	1,590
Total assets	18,601	(733)	17,868
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	-	-	-
Reserves	(2,394)	(555)	(2,949)
	(2,394)	(555)	(2,949)
Minority interest	(443)	(169)	(612)
Total equity	(2,837)	(724)	(3,561)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	88	(8)	80
Other non-current liabilities	641	-	641
Total non-current liabilities	729	(8)	721
Current liabilities			
Trade and other payables	3,062	-	3,062
Payable to a related company	12,418	-	12,418
Borrowings	5,220	-	5,220
Current income tax liabilities	9	(1)	8
Total current liabilities	20,709	(1)	20,708
Total liabilities	21,438	(9)	21,429
Total equity and liabilities	18,601	(733)	17,868
Net current liabilities	(19,119)	1	(19,118)
Total assets less current liabilities	(2,108)	(732)	(2,840)

3 Significant accounting policies (Continued)

(a) Customer acquisition and retention costs (Continued)

(iii) Estimated effect on the condensed consolidated income statement for the six months ended 30 June 2009

	Estimated effect of change in accounting policy - increase/(decrease) in profit attributable to equity holders of the Company HK$ millions
Turnover	-
Cost of inventories sold	-
Staff costs	-
Depreciation and amortisation	347
Other operating expenses	(420)
Operating profit	(73)
Interest income	-
Interest and other finance costs	-
Share of results of jointly controlled entities	-
Profit before taxation	(73)
Taxation	1
Profit for the period	(72)
Attributable to:	
Equity holders of the Company	(56)
Minority interest	(16)
	(72)
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):	
- basic	(1.16)
- diluted	(1.16)

3 Significant accounting policies (Continued)

(a) Customer acquisition and retention costs (Continued)

(iv) Estimated effect on the condensed consolidated statement of financial position as at 30 June 2009

	Estimated effect of change in accounting policy - increase/(decrease) in respective items HK$ millions
ASSETS	
Non-current assets	
Property, plant and equipment	-
Goodwill	25
Other intangible assets	(832)
Other non-current assets	-
Deferred tax assets	-
Investments in jointly controlled entities	-
Total non-current assets	(807)
Current assets	
Cash and cash equivalents	-
Trade receivables and other current assets	-
Inventories	-
Total current assets	-
Total assets	(807)
EQUITY	
Capital and reserves attributable to equity holders of the Company	
Share capital	-
Reserves	(611)
	(611)
Minority interest	(185)
Total equity	(796)
LIABILITIES	
Non-current liabilities	
Deferred tax liabilities	(9)
Other non-current liabilities	-
Total non-current liabilities	(9)
Current liabilities	
Trade and other payables	-
Payable to a related company	-
Borrowings	-
Current income tax liabilities	(2)
Total current liabilities	(2)
Total liabilities	(11)
Total equity and liabilities	(807)
Net current liabilities	2
Total assets less current liabilities	(805)

3 Significant accounting policies (Continued)

(b) Share-based payments

In June 2009, share options were granted under the Company's share option scheme. 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). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

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.

4 Turnover

Turnover comprises revenues from the provision of mobile telecommunications services; handset and accessory sales and the provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	Six months ended 30 June	
	2009	2008
	HK$ millions	HK$ millions
Mobile telecommunications services	2,331	2,270
Fixed-line telecommunications services	1,450	1,370
Telecommunications products	316	143
	4,097	3,783

5 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. Management of the Group measures the performance of its segments based on operating profit. The segment information on turnover and operating profit and total assets agreed to the aggregate information in this interim financial report. As such, no reconciliation between the segment information and the aggregate information in this interim financial report is presented.

For the six months ended 30 June 2009

	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	2,647	1,623	-	(173)	4,097
Operating costs	(2,118)	(1,057)	(46)	173	(3,048)
Depreciation and amortisation	(334)	(316)	-	-	(650)
Operating profit/(loss)	195	250	(46)	-	399
Total assets	7,050	11,017	12,423	(12,558)	17,932
Capital expenditures incurred during the period (including property, plant and equipment)	227	333	-	-	560

For the six months ended 30 June 2008

	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	2,413	1,516	-	(146)	3,783
Operating costs	(1,780)	(1,002)	(41)	146	(2,677)
Depreciation and amortisation	(372)	(316)	-	-	(688)
Operating profit/(loss)	261	198	(41)	-	418
Total assets	7,429	14,266	3,870	(7,258)	18,307
Capital expenditures incurred during the period (including property, plant and equipment)	229	142	-	-	371

6 Interest and other finance costs, net

	Six months ended 30 June 2009 HK$ millions	2008 HK$ millions
Interest income	-	9
Interest and other finance costs:		
Bank loans repayable within 5 years	(25)	(62)
Notional non-cash interest accretion (Note)	(38)	(38)
Guarantee and other finance fees	(10)	(5)
	(73)	(105)
Interest and other finance costs, net	(73)	(96)

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

7 Taxation

	Six months ended 30 June					
	2009			2008		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ Millions
Hong Kong	-	34	34	-	42	42
Outside Hong Kong	4	-	4	5	-	5
	4	34	38	5	42	47

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2008: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided for at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses. The change in average applicable tax rate is caused by a change in the profitability of the Group's subsidiaries in respective countries.

8 Earnings per share

The calculation of basic earnings per share based on profit attributable to equity holders of the Company of approximately HK$256 million (30 June 2008: HK$247 million) and on 4,814,346,208 ordinary shares issued upon the capitalisation of the payable to Hutchison Telecommunications International (Cayman) Holdings Limited, as if such shares had been outstanding throughout the six months ended 30 June 2009 (30 June 2008: same).

For the period ended 30 June 2008, diluted earnings per share are equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding. The diluted earnings per share for the period ended 30 June 2009 are based on 4,814,346,208 ordinary shares in issue by adjusting the weighted average number of 50,541 ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

An interim dividend of 1.12 HK cents per share or approximately HK$54 million (30 June 2008: Nil) was recommended by the Board of Directors.

10 Cash and cash equivalents

	As at 30 June 2009 HK$ millions	As at 31 December 2008 HK$ millions
Cash at bank and on hand	39	42
Short-term bank deposits	237	230
	276	272

11 Trade receivables and other current assets

The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for Carrier or Corporate customers based on the individual commercial terms.

	As at 30 June 2009 HK$ millions	As at 31 December 2008 HK$ millions
Trade receivables	1,131	1,017
Less: Provision for doubtful debts	(206)	(165)
Trade receivables, net of provision (Note (a))	925	852
Other receivables	87	56
Prepayments	147	154
Loan to the partner of a jointly controlled entity	-	75
	1,159	1,137

(a) Trade receivables, net of provision

The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:

	As at 30 June 2009 HK$ millions	As at 31 December 2008 HK$ millions
0 - 30 days	369	364
31 - 60 days	184	185
61 - 90 days	96	86
Over 90 days	276	217
	925	852

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

12 Trade and other payables

	As at 30 June 2009 HK$ millions	As at 31 December 2008 HK$ millions
Trade payables (Note (a))	344	385
Accrued expenses and other payables	1,551	1,398
Deferred revenue	1,259	1,207
Current portion of licence fees liabilities	76	72
	3,230	3,062

(a) Trade payables

The ageing analysis of trade payables is as follows:

	As at 30 June 2009 HK$ millions	As at 31 December 2008 HK$ millions
0 - 30 days	90	144
31 - 60 days	54	60
61 - 90 days	30	28
Over 90 days	170	153
	344	385

Financial Review

Treasury Policies

The Group's primary treasury and funding policies focus on liquidity management maintaining optimal level of liquidity with cost efficient funding of the operations of its subsidiaries. The Group also monitors its financial risks, including interest rate and foreign exchange risks, and default credit risks.

In general, financings are raised mainly through bank borrowings to meet the funding requirements of the Group's operating subsidiaries. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The treasury function operates as a centralised service for managing the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group mainly operates telecommunications services in Hong Kong and Macau with transactions denominated in HK dollars and MOP. The Group is exposed to other currency exposures, primarily with certain trade receivables/payables and bank deposits denominated in US dollars.

The Group cautiously plans to use derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions and invest in financial products, including hedge funds or similar vehicles, for speculative purposes.

The Group operates a central cash management system for all of its subsidiaries. Surplus funds are to be managed in a prudent manner, usually in the form of bank deposits with banks or financial institutions attaining a minimum credit rating of AA-/Aa3 as rated by Standard & Poor's and Moody's to manage counterparty risk, any deviation of such rating is to be approved by senior management. Alternatively, surplus funds can be invested in marketable securities such as US Treasury Bills or Commercial Papers/Certificates of Deposits issued by credit-worthy counterparties with short term ratings at A1/P1 and long-terms ratings at or above AA-/Aa3 as rated by Standard & Poor's/Moody's. The selected counterparties and investment products must be approved by the Company's Chief Financial Officer.

Capital Structure, Liquidity and Financial Resources

On 3 August 2007 (the date of incorporation of the Company), the authorised share capital of the Company was US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 1 share was issued at par for cash. On 6 April 2009, the Company's authorised share capital was increased by HK$2,500 million by the creation of 10 billion shares of HK$0.25 each. 32 shares of HK$0.25 each were issued at par for cash to Hutchison Telecommunications International (Cayman) Holdings Limited ("HTI Cayman"), the former immediate holding company of the Company. On the same date, the original issued share of US$1 was repurchased by the Company at par; and the original authorised share capital of US$50,000 was cancelled. On 6 April 2009, the Company entered into an agreement with HTI Cayman that 4,814,346,176 shares of the Company were allotted and issued, credited as fully paid, to HTI Cayman as consideration for the capitalisation of the payable to this company amounting to approximately HK$12,418 million. As at 30 June 2009, the Group recorded share capital of HK$1,204 million and total equity of HK$9,105 million.

The Group maintains a healthy financial position benefiting from steady growth in cash flows. The cash and bank balances amounted to HK$276 million at 30 June 2009 (31 December 2008: HK$272 million), 81% of which were denominated in HK dollars, 5% in MOP and 7% in US dollars with remaining in various other currencies. As at 30 June 2009, the Group had bank borrowings of HK$4,795 million (31 December 2008: HK$5,220 million) which is denominated in HK dollars and repayable in one year. The gearing ratio, calculated based on the net debt divided by total shareholders' equity, was 50% as at 30 June 2009.

During the six months ended 30 June 2009, the Group's net cash generated from operating activities and used in investing activities amounted to HK$1,164 million and HK$702 million respectively. The Group's major outflows of funds during the period under review were payments for the purchase of property, plant and equipment and the investment in a joint venture, which held the BWA spectrum licence.

Charges on Group Assets

As at 30 June 2009, none of the Group's assets is under financial charges.

Capital Expenditure

Capital expenditure on property, plant and equipment in the first six months of 2009 was HK$560 million, compared to HK$371 million in the same period last year. Capital expenditure in mobile business amounted to HK$227 million, compared to HK$229 million in the same period last year while capital expenditure in fixed-line business amounted to HK$333 million compared to HK$142 million in the same period last year, reflecting our continued investment in network upgrade and expansion to support business growth.

Contingent Liabilities

As at 30 June 2009, the Group had contingent liabilities in respect of performance guarantees amounting to HK$586 million (31 December 2008: HK$512 million) and financial guarantees amounted to HK$11 million (31 December 2008: HK$39 million). Included in contingent liabilities were performance bonds issued to Telecommunications Authority of Hong Kong in respect of our 3G and BWA spectrum licence obligations.

Staff

At 30 June 2009, the Group and its subsidiaries employed 1,711 dedicated staff and the related employee cost for the six months period, including directors' emoluments, totalled HK$310 million (30 June 2008: HK$296 million).

The Group reckons the importance of human asset in sustaining our market leadership in the market. Our salary and benefits are kept at a competitive level and individual performance is rewarded within the general framework of the Group's salary, bonus and incentive system, which is reviewed annually. A wide range of benefits including medical coverage, provident funds, retirement plans, long service awards and share option schemes are provided to employees. Employee caring activities and community services are also arranged during the half year. The Group puts strong emphasis in staff development and related training programmes are provided on an on-going basis throughout the half year.

Review of accounts

The Group's unaudited condensed consolidated accounts for the six months ended 30 June 2009 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board. The auditor's independent review report will be included in the Interim Report to shareholders. The Group's unaudited condensed consolidated accounts for the six months ended 30 June 2009 have also been reviewed by the Audit Committee of the Company.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 28 August 2009 to Tuesday, 1 September 2009, both days inclusive. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on Thursday, 27 August 2009.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the period.

Compliance with the Code on Corporate Governance Practices

The Company is committed to achieving and maintaining the highest standards of corporate governance. The Company is fully compliant with all code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the period from 8 May 2009 (date of listing of securities of the Company on the Stock Exchange) to 30 June 2009.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Group's code of conduct regarding Directors' securities transactions. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 8 May 2009 to 30 June 2009.

As at the date of this announcement, the Directors of the Company are:

Executive Director:
Mr. WONG King Fai, Peter

Non-Executive Directors:
Mr. FOK Kin-ning, Canning *(Chairman)*
Mrs. CHOW WOO Mo Fong, Susan
Mr. Frank John SIXT
Mr. LAI Kai Ming, Dominic
Mr. LUI Dennis Pok Man *(Deputy Chairman)*

Independent Non-executive Directors:
Mr. CHEONG Ying Chew, Henry
Mr. LAN Hong Tsung, David
Dr. WONG Yick Ming, Rosanna

Alternate Director:
Mr. MA Lai Chee, Gerald
(Alternate to Mr. Lai Kai Ming, Dominic)