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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 2010

- Consolidated turnover increased by 5% to HK$4,283 million.
- Turnover of mobile business increased by 7% to HK$2,831 million and its operating profit reached HK$361 million.
- Turnover of fixed-line business maintained at HK$1,630 million and its operating profit reported at HK$226 million.
- First half profit attributable to shareholders of the Company increased by 41% to HK$361 million.
- Earnings per share increased by 41% to 7.50 HK cents.
- Interim dividend per share recommended at 3.32 HK cents.

Chairman's Statement

I am pleased to present the interim results of the Group for the six months ended 30 June 2010.

Results

Consolidated turnover for the first six months of 2010 amounted to HK$4,283 million, representing growth of 5% compared to HK$4,097 million for the same period of 2009. Profit attributable to shareholders of the Company was HK$361 million, an increase of 41% compared to HK$256 million for 2009. Earnings per share were 7.50 HK cents for the six months ended 30 June 2010, compared to 5.32 HK cents for the same period of 2009.

Dividends

The board of directors (the "Board") recommends an interim dividend of 3.32 HK cents (30 June 2009: 1.12 HK cents) per share, or HK$160 million (30 June 2009: HK$54 million) in total, payable on Thursday, 2 September 2010 to registered shareholders of the Company on Tuesday, 24 August 2010. The register of members will be closed from Friday, 20 August 2010 to Tuesday, 24 August 2010, both days inclusive. The Board aims to maximise shareholder value by returning sustainable growth in dividends, in step with our healthy business performance.

Financial Review

The Group achieved steady year-on-year turnover growth of 5% despite lower interconnection revenue following the governmental deregulation of fixed-mobile interconnection arrangement. Total operating expenses were held at HK$3,739 million during the first half of 2010, compared to HK$3,698 million of 2009. As a result, operating profit increased by 36% to HK$544 million. Interest and other finance costs decreased by 12% to HK$64 million for the first half-year of 2010 compared to HK$73 million in 2009, reflecting lower market interest rates and improving financial position. Taxation decreased by 8% to HK$35 million compared to HK$38 million in 2009.

Business Review

Mobile business – Hong Kong and Macau

Turnover from mobile business, for the first six months of 2010, increased by 7% to HK$2,831 million compared to HK$2,647 million for the same period of 2009, mainly driven by increasing data service. Our mobile customer base grew to a total of 3.1 million. Mobile postpaid ARPU increased to HK$214 compared to HK$202 for the same period of 2009 largely due to the recovery of the local economy and an upturn in spending and travelling trends. Although voice revenue was affected by sustained competitive price pressure, the mobile business reported approximately 40% robust growth in data service revenue for the period. Operating costs, excluding depreciation and amortisation, increased by 6% to HK$2,255 million, in line with turnover growth. Depreciation and amortisation decreased by 36% to HK$215 million, mainly due to a change in estimated useful lives of 2G network equipment in Hong Kong and more fully depreciated assets.

Fixed-line business – Hong Kong

Turnover from fixed-line business maintained at HK$1,630 million, similar to the same period in 2009 at HK$1,623 million, mainly attributable to continuing data growth in all markets offset by lower interconnection revenue following the governmental deregulation of the fixed and mobile interconnection arrangement in April 2009 and one time revenue items. Excluding these factors, fixed-line turnover grew 3%. Operating costs, excluding depreciation and amortisation, were HK$1,087 million, 3% higher than the same period in 2009. Depreciation and amortisation was maintained at HK$317 million, the same level as 2009.

Outlook

While 2009 was affected by the recession, the economy of Asia recovered considerably during the first half of 2010. Thanks to the advanced, integrated mobile and fixed-line infrastructure built in recent years, the **3** brand continues to rise in stature as the leading service provider in Hong Kong. The **3** brand can now be regarded as an ideal option for those seeking to enhance everyday lifestyle with iPhones, other smartphones and broadband data devices.

Moving forward, the Group will continue to focus on adopting, in a cost efficient manner, the latest advances in technology to meet the increasing demand for bandwidth and trustworthy data services. The fixed-line business is well placed to capture the fast-growing bandwidth demand opportunity as a leading optical-fibre carrier of backhaul services. The Group is also striving to meet the diverse needs of our international and corporate customers by providing capacity, as well as innovative solutions. We seek to command a prominent position in the international telecommunications market by co-operating with overseas operators and extending our global reach to serve carriers, service providers and enterprises around the world.

The Group is well positioned to develop fixed-mobile convergence (FMC) by optimising synergies between our mobile and fixed-line businesses. We focus on the latest technologies in order to deliver higher-value, one-stop and compelling integrated services, thereby enabling our customers to reap the full benefits of a new era of data connectivity. To underscore the convergence and one-stop services, the Group consolidates its fixed-line consumer business, mobile and Wi-Fi services as 3ree Broadband under the **3** family.

The Group continues to pursue service excellence and market leadership – and believes our strong financial performance will provide a solid foundation from which we will maximise value for shareholders and customers as a whole.

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

FOK Kin-ning, Canning
Chairman

Hong Kong, 2 August 2010

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Unaudited 2010 HK$ millions	Unaudited 2009 HK$ millions
Turnover	5	4,283	4,097
Cost of inventories sold		(298)	(279)
Staff costs		(314)	(310)
Depreciation and amortisation		(532)	(650)
Other operating expenses		(2,595)	(2,459)
Operating profit		544	399
Interest income	7	2	-
Interest and other finance costs	7	(64)	(73)
Share of results of jointly controlled entities		(21)	(8)
Profit before taxation		461	318
Taxation	8	(35)	(38)
Profit for the period		426	280
Attributable to:			
Equity holders of the Company		361	256
Non-controlling interests		65	24
		426	280
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share):			
- basic	9	7.50	5.32
- diluted	9	7.50	5.32

Details of interim dividend to equity holders of the Company are set out in Note 10.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited	
	2010 HK$ millions	2009 HK$ millions
Profit for the period	426	280
Other comprehensive income and net income recognised directly in equity		
Currency translation differences	(1)	-
Total comprehensive income for the period, net of tax	425	280
Total comprehensive income attributable to:		
Equity holders of the Company	360	256
Non-controlling interests	65	24
	425	280

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Unaudited 30 June 2010 HK$ millions	Audited 31 December 2009 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		9,464	9,436
Goodwill		4,503	4,503
Other intangible assets		311	336
Other non-current assets		1,274	1,328
Deferred tax assets		368	368
Investments in jointly controlled entities		266	270
Total non-current assets		16,186	16,241
Current assets			
Cash and cash equivalents	11	173	268
Trade receivables and other current assets	12	1,126	1,085
Inventories		112	160
Total current assets		1,411	1,513
Total assets		17,597	17,754
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		1,204	1,204
Reserves		8,752	8,689
		9,956	9,893
Non-controlling interests		(484)	(549)
Total equity		9,472	9,344
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		166	134
Borrowings		3,702	4,358
Other non-current liabilities		623	595
Total non-current liabilities		4,491	5,087
Current liabilities			
Trade and other payables	13	3,625	3,317
Current income tax liabilities		9	6
Total current liabilities		3,634	3,323
Total liabilities		8,125	8,410
Total equity and liabilities		17,597	17,754
Net current liabilities		(2,223)	(1,810)
Total assets less current liabilities		13,963	14,431

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	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 reserve HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
As at 1 January 2010	1,204	11,181	(2,470)	1	(41)	1	17	9,893	(549)	9,344
Profit for the period	-	-	361	-	-	-	-	361	65	426
Currency translation differences	-	-	-	(1)	-	-	-	(1)	-	(1)
Dividends relating to 2009 paid in 2010 (Note 10)	-	-	(297)	-	-	-	-	(297)	-	(297)
As at 30 June 2010	1,204	11,181	(2,406)	-	(41)	1	17	9,956	(484)	9,472
As at 1 January 2009	-	-	(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

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Unaudited 2010 HK$ millions	2009 HK$ millions
Cash flows from operating activities			
Cash generated from operations		1,380	1,200
Interest and other finance costs paid		(27)	(35)
Tax paid		-	(1)
Net cash generated from operating activities		1,353	1,164
Cash flows from investing activities			
Purchases of property, plant and equipment		(488)	(560)
Additions to other non-current assets		(2)	(23)
Proceeds from disposals of property, plant and equipment		3	1
Payment relating to investments in jointly controlled entities		(4)	(195)
Repayment of loan from the partner of a jointly controlled entity		-	75
Net cash used in investing activities		(491)	(702)
Cash flows from financing activities			
Proceeds from borrowings		320	5,035
Repayment of loans		(980)	(5,460)
Share issuance costs		-	(33)
Dividend paid to the Company's shareholders	10	(297)	-
Net cash used in financing activities		(957)	(458)
(Decrease)/increase in cash and cash equivalents		(95)	4
Cash and cash equivalents as at 1 January		268	272
Cash and cash equivalents as at 30 June	11	173	276

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 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.

This unaudited condensed consolidated interim financial report ("interim financial report") has been approved for issuance by the Board of Directors on 2 August 2010.

2 Basis of preparation

This interim financial report for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". This interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards.

As at 30 June 2010, the Group's current liabilities exceeded its current assets by approximately HK$2,223 million. The Group's future funding requirements can be met through a revolving and term credit facility of HK$5,000 million from a group of international commercial banks which is available up to 2 December 2012. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, this interim financial report has been prepared on a going concern basis.

3 Significant accounting policies

This interim financial report has been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of this interim financial report are consistent with those used in 2009 annual financial statements and the Group has adopted all the new and revised standards, amendments and interpretations that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2010. The adoption of these new and revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

4 Critical accounting estimates and assumptions

With effect from 1 January 2010, the Group has revised the estimated useful lives of 2G network equipment in Hong Kong from 10 to 15 years or up to 31 December 2010 whichever is shorter, to 10 to 15 years or up to 31 December 2013 whichever is shorter.

The effect of the change in estimated useful lives has been recognised prospectively. If the Group had continued with the useful lives as estimated during the previous year, the depreciation expense charged to the condensed consolidated income statement for the current period would have been higher by approximately HK$90 million with a corresponding decrease in the carrying value of property, plant and equipment. The depreciation charge of the relevant property, plant and equipment recognised during the current half-year period was approximately HK$43 million. The depreciation expense for the relevant 2G network equipment in Hong Kong to be recorded in future years up to 2013 will be of similar or lower magnitude.

5 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	
	2010 HK$ millions	2009 HK$ millions
Mobile telecommunications services	2,516	2,331
Fixed-line telecommunications services	1,457	1,450
Telecommunications products	310	316
	4,283	4,097

6 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 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 2010

	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	2,831	1,630	-	(178)	4,283
Operating costs	(2,255)	(1,087)	(42)	177	(3,207)
Depreciation and amortisation	(215)	(317)	-	-	(532)
Operating profit/(loss)	361	226	(42)	(1)	544
Capital expenditures incurred during the period (including property, plant and equipment)	251	238	-	(1)	488

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
Capital expenditures incurred during the period (including property, plant and equipment)	227	333	-	-	560

7 Interest and other finance costs, net

	Six months ended 30 June 2010 HK$ millions	Six months ended 30 June 2009 HK$ millions
Interest income:		
Interest income from loan to a jointly controlled entity	2	-
Interest and other finance costs:		
Bank loans repayable within 5 years	(23)	(25)
Notional non-cash interest accretion (Note)	(33)	(38)
Guarantee and other finance fees	(8)	(10)
	(64)	(73)
Interest and other finance costs, net	(62)	(73)

Note: Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the condensed 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.

8 Taxation

	2010 Current taxation HK$ millions	2010 Deferred taxation HK$ millions	2010 Total HK$ millions	2009 Current taxation HK$ millions	2009 Deferred taxation HK$ millions	2009 Total HK$ millions
Hong Kong	-	32	32	-	34	34
Outside Hong Kong	3	-	3	4	-	4
	3	32	35	4	34	38

Six months ended 30 June

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2009: 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.

9 Earnings per share

The calculation of basic earnings per share is based on profit attributable to equity holders of the Company of approximately HK$361 million (30 June 2009: HK$256 million) and on the weighted average number of 4,814,427,700 (30 June 2009: 4,814,346,208) ordinary shares in issue during the period.

The diluted earnings per share for the period ended 30 June 2010 are calculated by adjusting the weighted average number of 4,814,427,700 (30 June 2009: 4,814,346,208) ordinary shares in issue by the weighted average number of 1,426,489 (30 June 2009: 50,541) ordinary shares deemed to be issued assuming the exercise of the share options.

10 Dividends

	Six months ended 30 June	
	2010	2009
Interim dividend, proposed (HK$ millions)	160	54
Interim dividend per share, proposed (HK cents)	3.32	1.12

In addition, final dividend in respect of year 2009 of HK cents 6.16 per share totalling HK$297 million was approved and paid during the six months ended 30 June 2010.

11 Cash and cash equivalents

	As at 30 June 2010 HK$ millions	As at 31 December 2009 HK$ millions
Cash at banks and in hand	54	40
Short-term bank deposits	119	228
	173	268

12 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 individual commercial terms.

	As at 30 June 2010 HK$ millions	As at 31 December 2009 HK$ millions
Trade receivables	1,064	996
Less: Provision for doubtful debts	(212)	(185)
Trade receivables, net of provision (Note (a))	852	811
Other receivables	96	105
Prepayments	178	169
	1,126	1,085

(a) Trade receivables, net of provision

	As at 30 June 2010 HK$ millions	As at 31 December 2009 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	456	419
31 - 60 days	177	176
61 - 90 days	83	85
Over 90 days	136	131
	852	811

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.

13 Trade and other payables

	As at 30 June 2010 HK$ millions	As at 31 December 2009 HK$ millions
Trade payables (Note (a))	389	320
Other payables and accruals	1,961	1,689
Deferred revenue	1,189	1,227
Current portion of licence fees liabilities	86	81
	3,625	3,317

(a) Trade payables

	As at 30 June 2010 HK$ millions	As at 31 December 2009 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	116	69
31 - 60 days	60	44
61 - 90 days	34	26
Over 90 days	179	181
	389	320

Financial Review

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. Operating as a centralised service, the treasury function manages Group funding needs and monitors financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty.

The Group cautiously plans to use derivatives – principally interest rate and foreign currency swaps plus forward currency contracts, as appropriate for risk management purposes only – for hedging transactions and managing Group assets and liabilities. Our policy is not to enter into derivative transactions and 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 the 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. 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/payables and bank deposits denominated in United States dollars and Euros.

Credit exposure
The Group operates a central cash-management system for all subsidiaries. Surplus funds are managed in a prudent manner, usually in the form of deposits with banks or financial institutions attaining a minimum credit rating of AA-/Aa3 from Standard & Poor's and Moody's. Any deviation in these ratings requires approval from senior management in order to manage counterparty risk. Alternatively, surplus funds can be invested in marketable securities such as United States Treasury Bills and Commercial Papers/Certificates of Deposits issued by creditworthy issuers with short-term ratings at or above A1/P1 and long-term ratings at or above AA-/Aa3 from Standard & Poor's and Moody's. Counterparties and investment products must be approved by the Chief Financial Officer of the Group.

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. On 3 August 2007, the date of incorporation, 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, one share was issued at par for cash. On 6 April 2009, the authorised share capital of the Company was increased by HK$2,500 million by the creation of 10 billion shares valued at HK$0.25 each. Then, 32 shares of HK$0.25 each were issued at par for cash to Hutchison Telecommunications International (Cayman) Holdings Limited ("HTI Cayman"), the then immediate holding company of the Company. On the same date, the original issued share of US$1 was repurchased by the Company at par for cancellation, and all unissued shares of US$1 each in original authorised share capital of the Company of US$50,000 were cancelled.

On 6 April 2009, the Company entered into an agreement with HTI Cayman that, subject to approval from the Stock Exchange for the spin-off of the Company, as well as approval from the Listing Committee of the Stock Exchange for the listing of Company shares on the Main Board of the Stock Exchange, 4,814,346,176 shares of HK$0.25 each of the Company would be allotted and issued, credited as fully paid, to HTI Cayman as consideration for the capitalisation of the amount payable to HTI Cayman of approximately HK$12,418 million. The above conditions were met and the aforesaid shares were issued on 7 May 2009.

During the six months ended 30 June 2010, an additional 250,000 shares of HK$0.25 each were issued upon exercise of share options under the share option scheme of the Company. As at 30 June 2010, the Group recorded share capital of HK$1,204 million and total equity of HK$9,472 million. The cash and cash equivalents amounted to HK$173 million as at 30 June 2010 (31 December 2009: HK$268 million), 61% of which were denominated in Hong Kong dollars, 16% in United States dollars and the remainder in various other currencies. As at 30 June 2010, the Group recorded bank borrowings of HK$3,702 million (31 December 2009: HK$4,358 million) which were denominated in Hong Kong dollars and repayable in late 2012. The gearing ratio, calculated by dividing net debt by total shareholders' equity, was 37% as at 30 June 2010 (31 December 2009: 44%).

Cash Flows

The Group maintains a healthy financial position, benefiting from steady growth in cash flows. During the six months ended 30 June 2010, net cash generated from operating activities and used in investing activities amounted to HK$1,353 million and HK$491 million respectively (30 June 2009: HK$1,164 million and HK$702 million respectively). Major outflow of funds during the period under review included payments for the purchase of property, plant and equipment and final dividend, as well as repayment of borrowings.

Charges on Group Assets

As at 30 June 2010, except for certain shares of a 50:50 joint venture owned by the Group which were pledged as security in favour of another joint venture partner under a cross share pledge arrangement, none of the assets of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the first six months of 2010 was HK$488 million, compared to HK$560 million in the same period of 2009, mainly incurred for the network upgrades and expansion to support business growth.

Contingent Liabilities

As at 30 June 2010, the Group had contingent liabilities in respect of performance guarantees amounting to HK$641 million (31 December 2009: HK$637 million) and financial guarantees amounting to HK$13 million (31 December 2009: HK$16 million), which mainly represented performance bonds issued to the Office of the Telecommunications Authority of Hong Kong in respect of our 3G and Broadband Wireless Access spectrum licence obligations.

Staff

As at 30 June 2010, the Group and subsidiaries employed 1,730 staff members. Related costs during the six-month period ended 30 June 2010, including directors' emoluments, totalled HK$314 million (30 June 2009: HK$310 million).

The Group fully recognises the importance of high-quality human resource in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group, which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds, retirement plans, long-service awards and share option plan. The Group places strong emphasis on staff development and provided training programmes on an ongoing process throughout the period. Employees are also encouraged to play an active role in community care activities arranged by the Group.

Corporate Social Responsibility

The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment to the community helps to differentiate our brand among competitors. We promote our Group as a sound corporate citizen via sponsorship and marketing campaigns to help those less fortunate and in need of care. During the period under review, for example, we launched special telephony plans for the elderly that included a tailored handset with bargain-price tariff plans.

Review of Accounts

The Group's unaudited condensed consolidated accounts for the six months ended 30 June 2010 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 the 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 2010 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, 20 August 2010 to Tuesday, 24 August 2010, both days inclusive. In order to qualify for the interim dividend payable on Thursday, 2 September 2010, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Thursday, 19 August 2010.

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

During the six months ended 30 June 2010, 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 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period from 1 January 2010 to 30 June 2010.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group 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 1 January 2010 to 30 June 2010.

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)*
(also Alternate to Mrs Chow Woo Mo Fong, Susan)
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
(also Alternate to Mr Frank John Sixt)
Mr LUI Dennis Pok Man *(Deputy Chairman)*

Independent Non-executive Directors:
Mr CHEONG Ying Chew, Henry
(also Alternate to Dr Wong Yick Ming, Rosanna)
Mr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna

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