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 2011

HIGHLIGHTS

- Leading integrated telecommunications operator with a total mobile customer base of 3.35 million in Hong Kong and Macau and the most extensive fibre-to-the-building infrastructure in Hong Kong.
- Consolidated turnover grew 41% to HK$6,018 million driven by strong growth in smartphone sales and data communications.
- Turnover of mobile business was HK$4,553 million. Operating profit was HK$537 million.
- Turnover of fixed-line business was HK$1,653 million. Operating profit was HK$198 million.
- Profit attributable to shareholders of the Company for the first half of 2011 increased by 37% to HK$494 million.
- Earnings per share rose 37% to 10.25 HK cents.
- Interim dividend per share recommended at 5.16 HK cents, a growth of 55%.

CHAIRMAN'S STATEMENT

I am pleased to present the interim results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2011.

Results

The Group delivered sustained growth over the period under review. Consolidated turnover for the first six months of 2011 amounted to HK$6,018 million, representing growth of 41% compared with HK$4,283 million for the corresponding period in 2010 mainly as a result of increased smartphone sales. Profit attributable to shareholders of the Company was HK$494 million, a 37% increase compared with HK$361 million for the first half of 2010. Earnings per share was 10.25 HK cents for the six months ended 30 June 2011, compared with 7.50 HK cents for the same period in 2010.

Dividends

The board of directors (the "Board") has adopted a policy to distribute 75% of annual profits attributable to shareholders of the Company (excluding any profits from disposals or other one time items) by way of dividends. For the first half of 2011, the Board recommends the payment of an interim dividend of 5.16 HK cents (30 June 2010: 3.32 HK cents) per share, or HK$249 million (30 June 2010: HK$160 million) in total, payable on Tuesday, 6 September 2011 to those persons registered as shareholders of the Company on Monday, 5 September 2011. The register of members will be closed from Monday, 29 August 2011 to Monday, 5 September 2011, both days inclusive. The Board believes this dividend policy is consistent with the maintenance of a prudent capital structure for the Company having regard in particular to currently foreseen debt service and investment requirements. Should there be a material change in these requirements or otherwise in the Company's financial circumstances, the Board may revise this policy in future periods.

Financial Review

The Group achieved a period-on-period turnover growth of 41%, mainly due to turnover growth from its mobile business as a result of strong smartphone sales. Total operating expenses, excluding cost of inventories sold, were HK$3,544 million for the first half of 2011, a 3% increase compared with HK$3,441 million in 2010. Staff costs of HK$307 million in the first half of 2011 were in line with HK$314 million in 2010. Depreciation and amortisation was HK$561 million, a 5% increase compared with HK$532 million in 2010. Other operating expenses increased by 3% to HK$2,676 million for the first half of 2011 from HK$2,595 million in 2010. Cost of inventories sold increased to HK$1,792 million for the first half of 2011 from HK$298 million in 2010, in line with strong growth in smartphone sales. Interest and other finance costs decreased by 11% to HK$57 million for the first half of 2011 compared with HK$64 million in 2010. Taxation recorded at HK$28 million compared with HK$35 million in 2010. Profit attributable to shareholders of the Company was HK$494 million, representing growth of 37% from HK$361 million in 2010.

Business Review

Mobile business – Hong Kong and Macau

Turnover from mobile business for the first six months of 2011 increased by 61% to HK$4,553 million compared with HK$2,831 million for the same period in 2010, driven by increased smartphone sales. The Group's mobile customer base grew to a total of 3.35 million as a result of increased mobile subscriber penetration and growing smartphone acceptance. In addition, increasing smartphone popularity, coupled with greater demand for data-centric service, contributed to healthy ARPU growth. Mobile postpaid ARPU increased to HK$238 from HK$214 for the same period in 2010, with a 30% growth in data service revenue for the period under review. Operating costs, excluding depreciation and amortisation, increased by 67% to HK$3,775 million due to increase in handset costs in line with the increased smartphone sales. Depreciation and amortisation increased by 12% to HK$241 million, compared with HK$215 million for the same period in 2010. As a result, operating profit for the first six months of 2011 surged by 49% to HK$537 million from HK$361 million in 2010.

Fixed-line business – Hong Kong

Turnover from fixed-line business for the first half of 2011 was HK$1,653 million, compared with HK$1,630 million for the same period in 2010. Growth driven by increasing demand for data, bandwidth and IDD services was tempered by intense price competition. During the period, the Group continued to leverage on its extensive optical-fibre network advantage in Hong Kong to offer a wide range of premium services and to deliver tailor-made solutions to manage the needs of specific customers. The Group has also continued to extend its network reach to other parts of Asia, the United States of America, Europe, the Middle East and Africa. Operating costs, excluding depreciation and amortisation, were HK$1,134 million, a 4% increase when compared with the same period in 2010. Depreciation and amortisation was HK$321 million, comparable with HK$317 million in 2010. Operating profit was HK$198 million, compared with HK$226 million for the first six months of 2010, reflecting an acceleration of our customer investment and acquisition in both corporate and residential sectors.

Outlook

The Group is well-positioned to benefit from the evolving telecommunications industry. With a superior network, thorough customer knowledge and a solid foundation built on sound financial performance, the Group is well equipped to manage bandwidth demand in the new "data era". The Group continues to offer diverse and customised solutions that suit both personal and business needs.

In the mobile market, the Group continues to invest in expanding network capacity in preparation for rising bandwidth demand from customers. Initiatives include 2G spectrum "re-farming", which will allow more efficient use of existing resources, and the acquisition of radio spectrum in the 900MHz band, which will enable the Group to meet the explosion in data usage. The Group's launch of LTE services, scheduled for late 2011, will enhance the Group's capability to provide high-speed and high-quality mobile telecommunications services.

In the fixed-line market, the Group is determined to maintain its leadership position in the local backhaul market as well as corporate and residential sectors and to maintain growth momentum via continued network improvement. The recent launch of 100M and above residential broadband services demonstrates the Group's commitment to capture the growing demand in the home broadband segment. The deployment of cutting-edge technologies, such as Gigabit Access Network (GAN), shows the Group's dedication to network excellence. At the same time, the Group will continue the extension of its global network reach to provide our customers with the benefits of an enlarged and improved global network.

The Group aims to capitalise on the largest mobile subscriber base in Hong Kong, plus unrivalled network strength, to introduce fixed-mobile integration offers and comprehensive one-stop services that enhance the overall customer experience.

The Group will build on the success of its past initiatives to benefit from accelerating bandwidth demand and to maintain service excellence, market leadership as well as to maximise value for customers and shareholders.

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

FOK Kin-ning, Canning
Chairman

Hong Kong, 1 August 2011

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Unaudited 2011 HK$ millions	2010 HK$ millions
Turnover	4	6,018	4,283
Cost of inventories sold		(1,792)	(298)
Staff costs		(307)	(314)
Depreciation and amortisation		(561)	(532)
Other operating expenses		(2,676)	(2,595)
Operating profit		682	544
Interest income	6	2	2
Interest and other finance costs	6	(57)	(64)
Share of results of jointly controlled entities		1	(21)
Profit before taxation		628	461
Taxation	7	(28)	(35)
Profit for the period		600	426
Attributable to:			
Shareholders of the Company		494	361
Non-controlling interests		106	65
		600	426
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	8	10.25	7.50
- diluted	8	10.25	7.50

Details of interim dividend payable to shareholders 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 2011

	Unaudited	
	2011	2010
	HK$ millions	HK$ millions
Profit for the period	600	426
Other comprehensive income recognised directly in equity		
Currency translation differences	1	(1)
Total comprehensive income for the period, net of tax	601	425
Total comprehensive income attributable to:		
Shareholders of the Company	495	360
Non-controlling interests	106	65
	601	425

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Unaudited 30 June 2011 HK$ millions	Audited 31 December 2010 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		9,547	9,610
Goodwill		4,503	4,503
Other intangible assets		1,336	280
Other non-current assets		1,264	1,227
Deferred tax assets		368	368
Investments in jointly controlled entities		301	272
Total non-current assets		17,319	16,260
Current assets			
Cash and cash equivalents	10	220	180
Trade receivables and other current assets	11	1,693	1,497
Inventories		289	239
Total current assets		2,202	1,916
Total assets		19,521	18,176
CAPITAL AND RESERVES			
Share capital		1,205	1,204
Reserves		9,169	9,002
Total shareholders' funds		10,374	10,206
Non-controlling interests		(298)	(404)
Total equity		10,076	9,802
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		214	190
Borrowings		3,929	3,566
Other non-current liabilities		572	546
Total non-current liabilities		4,715	4,302
Current liabilities			
Trade and other payables	12	4,718	4,064
Current income tax liabilities		12	8
Total current liabilities		4,730	4,072
Total liabilities		9,445	8,374
Total equity and liabilities		19,521	18,176
Net current liabilities		(2,528)	(2,156)
Total assets less current liabilities		14,791	14,104

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited									
	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	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 2011	1,204	11,182	(2,172)	1	(27)	1	17	10,206	(404)	9,802
Profit for the period	-	-	494	-	-	-	-	494	106	600
Other comprehensive income Currency translation differences	-	-	-	1	-	-	-	1	-	1
Total comprehensive income	-	-	494	1	-	-	-	495	106	601
Dividend relating to 2010 paid in 2011 (Note 9)	-	-	(329)	-	-	-	-	(329)	-	(329)
Employee share option scheme – proceeds from shares issued	1	2	-	-	-	(1)	-	2	-	2
As at 30 June 2011	1,205	11,184	(2,007)	2	(27)	-	17	10,374	(298)	10,076
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
Other comprehensive income Currency translation differences	-	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive income	-	-	361	(1)	-	-	-	360	65	425
Dividend relating to 2009 paid in 2010 (Note 9)	-	-	(297)	-	-	-	-	(297)	-	(297)
As at 30 June 2010	1,204	11,181	(2,406)	-	(41)	1	17	9,956	(484)	9,472

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Unaudited 2011 HK$ millions	2010 HK$ millions
Cash flows from operating activities			
Cash generated from operations		1,606	1,380
Interest and other finance costs paid		(28)	(27)
Net cash generated from operating activities		1,578	1,353
Cash flows from investing activities			
Purchases of property, plant and equipment		(463)	(488)
Additions to other non-current assets		(54)	(2)
Additions to other intangible assets		(1,077)	-
Proceeds from disposals of property, plant and equipment		52	3
Payment relating to investments in jointly controlled entities		(29)	(4)
Net cash used in investing activities		(1,571)	(491)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		2	-
Proceeds from borrowings		1,280	320
Repayment of loans		(920)	(980)
Dividend paid to the Company's shareholders	9	(329)	(297)
Net cash generated from/(used in) financing activities		33	(957)
Increase/(decrease) in cash and cash equivalents		40	(95)
Cash and cash equivalents as at 1 January		180	268
Cash and cash equivalents as at 30 June		220	173

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.

The unaudited condensed consolidated interim financial report ("interim financial report") has been approved for issuance by the Board of Directors on 1 August 2011.

2 Basis of preparation

The interim financial report for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards.

As at 30 June 2011, the current liabilities of the Group exceeded its current assets by approximately HK$2,528 million. Included in the current liabilities were non-refundable customer prepayments of HK$1,004 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$1,524 million. The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the drawdown of the revolving and term credit facility of HK$5,000 million available from a group of international commercial banks up to 2 December 2012. As at 30 June 2011, the undrawn revolving and term credit facility amounted to approximately HK$1,071 million. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, the interim financial report has been prepared on a going concern basis.

3 Significant accounting policies

The interim financial report has been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in 2010 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2011. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

4 Turnover

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

	Six months ended 30 June 2011 HK$ millions	2010 HK$ millions
Mobile telecommunications services	2,676	2,516
Fixed-line telecommunications services	1,468	1,457
Telecommunications products	1,874	310
	6,018	4,283

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 agreed to the aggregate information in the interim financial report. As such, no reconciliation between the segment information and the aggregate information in the interim financial report is presented.

For the six months ended 30 June 2011

	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover	4,553	1,653	-	(188)	6,018
Operating costs	(3,775)	(1,134)	(54)	188	(4,775)
Depreciation and amortisation	(241)	(321)	-	1	(561)
Operating profit/(loss)	537	198	(54)	1	682
Capital expenditures incurred during the period (property, plant and equipment)	259	205	-	-	464

5 Segment information (Continued)

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 (property, plant and equipment)	251	238	-	(1)	488

6 Interest and other finance costs, net

	Six months ended 30 June 2011 HK$ millions	2010 HK$ millions
Interest income:		
Interest income from loan to a jointly controlled entity	2	2
Interest and other finance costs:		
Bank loans repayable within 5 years	(23)	(23)
Notional non-cash interest accretion (Note)	(31)	(33)
Guarantee and other finance fees	(8)	(8)
	(62)	(64)
Less: Amounts capitalised on qualifying assets	5	-
	(57)	(64)
Interest and other finance costs, net	(55)	(62)

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.

7 Taxation

	Six months ended 30 June					
	2011			2010		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	24	24	-	32	32
Outside Hong Kong	4	-	4	3	-	3
	4	24	28	3	32	35

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2010: 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.

8 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$494 million (30 June 2010: HK$361 million) and on the weighted average number of 4,817,193,225 (30 June 2010: 4,814,427,700) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2011 is calculated by adjusting the weighted average number of 4,817,193,225 (30 June 2010: 4,814,427,700) ordinary shares in issue with the weighted average number of 1,150,816 (30 June 2010: 1,426,489) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

	Six months ended 30 June 2011	2010
Interim dividend, proposed (HK$ millions)	249	160
Interim dividend per share, proposed (HK cents)	5.16	3.32

In addition, final dividend in respect of year 2010 of 6.83 HK cents per share (30 June 2010: 6.16 HK cents per share in respect of year 2009) totalling HK$329 million (30 June 2010: HK$297 million) was approved and paid during the six months ended 30 June 2011.

10 Cash and cash equivalents

	As at 30 June 2011 HK$ millions	As at 31 December 2010 HK$ millions
Cash at banks and in hand	133	65
Short-term bank deposits	87	115
	220	180

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 individual commercial terms.

	As at 30 June 2011 HK$ millions	As at 31 December 2010 HK$ millions
Trade receivables	1,546	1,399
Less: Provision for doubtful debts	(230)	(197)
Trade receivables, net of provision (Note (a))	1,316	1,202
Other receivables	126	106
Prepayments and deposits	251	189
	1,693	1,497

(a) Trade receivables, net of provision

	As at 30 June 2011 HK$ millions	As at 31 December 2010 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	779	677
31 - 60 days	209	200
61 - 90 days	104	103
Over 90 days	224	222
	1,316	1,202

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

12 Trade and other payables

	As at 30 June 2011 HK$ millions	As at 31 December 2010 HK$ millions
Trade payables (Note (a))	429	383
Other payables and accruals	3,190	2,490
Deferred revenue	1,004	1,101
Current portion of licence fees liabilities	95	90
	4,718	4,064

(a) Trade payables

	As at 30 June 2011 HK$ millions	As at 31 December 2010 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	168	123
31 - 60 days	36	41
61 - 90 days	43	37
Over 90 days	182	182
	429	383

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. 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 risks.

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. During the six months ended 30 June 2011, an additional 2,250,000 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 2011, the Group recorded share capital of HK$1,205 million and total equity of HK$10,076 million.

The cash and cash equivalents amounted to HK$220 million as at 30 June 2011 (31 December 2010: HK$180 million), 47% of which were denominated in Hong Kong dollars, 11% in United States dollars with remaining in various other currencies. As at 30 June 2011, the Group had bank borrowings of HK$3,929 million (31 December 2010: HK$3,566 million) which were denominated in Hong Kong dollars and repayable in late 2012. The gearing ratio, calculated by dividing net debt by total equity, was 37% as at 30 June 2011 (31 December 2010: 35%).

Cash Flows

The Group maintains a healthy financial position, benefiting from steady growth in operating cash flows. During the six months ended 30 June 2011, net cash generated from operating activities and used in investing activities of the Group amounted to HK$1,578 million (30 June 2010: HK$1,353 million) and HK$1,571 million (30 June 2010: HK$491 million) respectively. Major net outflows of funds during the period under review included payments for the purchases of property, plant and equipment, spectrum utilisation fee to the Office of the Telecommunications Authority of Hong Kong (the "OFTA") and final dividend for the year 2010.

Charges on Group Assets

As at 30 June 2011, 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, no material assets of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the first six months of 2011 was HK$464 million, compared to HK$488 million in the same period of 2010, reflecting our continued investment in network upgrade and expansion to support business growth.

Acquisition of Radio Spectrum

During the period under review, the Group acquired the radio spectrum in the 900MHz band with a cost of HK$1,080 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

Contingent Liabilities

As at 30 June 2011, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$754 million (31 December 2010: HK$704 million). Included in these contingent liabilities were mainly performance bonds issued to the OFTA in respect of our 3G and Broadband Wireless Access spectrum licence obligations.

Staff

As at 30 June 2011, the Group employed 1,722 full-time staff members. Staff costs during the six months ended 30 June 2011, including directors' emoluments, totalled HK$307 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 a share option plan. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. 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 differentiate our brand among competitors. We promote our Group as a sound corporate citizen, via sponsorship and marketing campaigns, committed to helping those less fortunate and in need of care.

Review of Accounts

The unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2011 have been reviewed by the auditor of the Company, 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 independent review report of the auditor will be included in the Interim Report to shareholders. The unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2011 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 Monday, 29 August 2011 to Monday, 5 September 2011, both days inclusive. In order to qualify for the interim dividend payable on Tuesday, 6 September 2011, 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 Friday, 26 August 2011.

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

During the six months ended 30 June 2011, 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 2011 to 30 June 2011.

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 securities transactions of Directors. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 1 January 2011 to 30 June 2011.

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

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)