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.

Chairman's Statement

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 the same period 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.

Chairman's Statement

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.

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