Group Capital Resources and Other Information

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.

Group Capital Resources and Other Information

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.

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.

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.