



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