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