Hutchison Telecom

HUTCHISON TELECOMMUNICATIONS INTERNATIONAL LIMITED
和記電訊國際有限公司
(*incorporated in the Cayman Islands with limited liability*)
(Stock Code: 2332)

ANNOUNCEMENT

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

HIGHLIGHTS

	Six months ended 30 June	
	2008 HK$ millions	**2009 HK$ millions**
Turnover	7,991	**6,411**
Operating profit	1,859	**499**
Profit/(Loss) for the period from continuing operations	1,684	**(221)**
Profit from discontinued operations	279	**196**
Profit/(Loss) for the period	1,963	**(25)**
Profit/(Loss) attributable to equity holders of the Company	1,165	**(285)**
Basic earnings/(loss) per share attributable to equity holders of the Company	HK$0.24	**HK$(0.06)**

- Group mobile customer base grew **36.5%** year-on-year to approximately **11.6 million**
- Indonesian operation customer base rose to **6.4 million**
- Vietnam acquired **624,000** customers in the first quarter of service launch
- Operating profit at **HK$499 million**, including one-time gains of HK$236 million
- Spin-off of Hong Kong and Macau operations released value for shareholders

CHAIRMAN'S STATEMENT

Despite the challenging macro environment, the Group still reported significant progress in the emerging markets as well as sustained performance in its established operations for the first half of 2009.

Our Indonesian operation continued to make excellent progress in customer acquisition and network rollout. The customer base year-on-year doubled to 6.4 million and population coverage expanded to approximately 70% with more than 7,300 base stations on-air at the end of the period. We extended our footprint to Kalimantan and Sulawesi, and launched services in major cities including Balikpapan, Banjarmasin, Samarinda and Makassar.

In Vietnam, we successfully launched a new GSM service in the second quarter under the brand name "Vietnamobile". The new brand and services were well received by the market and by the end of June approximately 624,000 customers had been acquired which was a very positive start for the operation.

Our Israeli operation, Partner Communications Company Ltd. ("Partner Communications"), continued to deliver satisfactory results in the first half and recorded strong growth in its 3G customer base which exceeded 1.1 million at the end of June.

Subsequent to 30 June 2009, the Group announced on 12 August 2009 that it had entered into an agreement to sell its entire shareholding in Partner Communications in Israel, for a total consideration, subject to adjustments, of NIS5,290,960,470 (approximately US$1,381 million) (approximately HK$10,706 million). The consideration is comprised of cash of NIS4,141,960,470 (approximately US$1,081 million) (approximately HK$8,381 million) and a secured debt instrument of US$300 million (approximately HK$2,325 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the second half of this year. The profit before taxation from disposal on completion of the transaction (and translation into US$ (HK$)) is estimated to be approximately US$1,000 million (approximately HK$7,750 million).

Following the spin-off and separate listing of the shares of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") on the Main Board of The Stock Exchange of Hong Kong Limited, HTHKH ceased to be a subsidiary of the Group. Therefore, the results of HTHKH and its subsidiaries up to 7 May 2009 are presented as "discontinued operations" in accordance with International Financial Reporting Standard ("IFRS") 5 "Non-current Assets Held for Sale and Discontinued Operations" in the condensed consolidated interim accounts for the six months ended 30 June 2009. The presentation of comparative information in respect of the six months ended 30 June 2008 has been restated in compliance with the requirements of IFRS 5.

Dividend

On 7 May 2009, the Company completed the payment of an interim dividend which was satisfied by way of distribution in specie of the entire share capital of HTHKH. The Board did not declare any further dividends for the six months ended 30 June 2009.

Results

Group Review

The Group's unaudited loss from continuing operations attributable to equity holders of the Company in the first six months of 2009 was HK$460 million compared to a profit of HK$912 million in the same period last year. Basic loss per share from continuing operations in the first six months of 2009 was HK$0.10 compared with basic earnings per share from continuing operations of HK$0.19 in the same period last year.

Financial Results for the Six Months Ended 30 June 2009

Turnover of the Group was HK$6,411 million, a decrease of 19.8% compared to HK$7,991 million in the same period last year. The decrease was mainly driven by the depreciation of the New Israeli Shekel ("NIS") against the Hong Kong Dollar ("HKD"). Excluding the NIS foreign exchange movement impact, the decrease in turnover was 8.2%. The decrease in underlying turnover reflected primarily the impact of the economic downturn during the first quarter of the year. Turnover from Israel represented 87.5% of the Group's total turnover, Thailand accounted for 8.2%, Indonesia 3.5% and "Others" approximately 1%.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") decreased 38.9% to HK$1,117 million, compared to HK$1,829 million in the same period last year. The decrease in EBITDA was partly due to the unfavourable foreign exchange movement in NIS against HKD. Excluding the foreign exchange impact of NIS, EBITDA for the period decreased 20.4%, mainly due to the higher operating expenses in Indonesia as a result of the expanded network and the number of on-air base stations that almost doubled compared to June last year.

Depreciation and amortisation decreased 40.4% to HK$854 million, compared to HK$1,434 million in the same period last year. The decrease was partly due to the accelerated depreciation charge of HK$305 million on certain network assets in Vietnam and Israel in the first half of last year and also a lower depreciation charge in our Israeli operation this year as a result of the change in accounting estimate on the useful lives of certain fixed assets.

Operating profit for the first half of 2009 was HK$499 million, compared to HK$1,859 million in the same period last year which included a one-time gain of HK$1,464 million.

The decrease in the operating profit was largely due to less one-time gains recognised during the first half of 2009 compared to the same period last year. Excluding the one-time gains, operating profit for the first half of 2009 was HK$263 million compared to HK$395 million in the same period last year, reflecting mainly increased footprint in Indonesia.

In the first six months of 2009, the Group recorded a net interest expense of HK$341 million compared to a net interest income of HK$212 million in the same period last year. This was primarily due to the payment of a special dividend totalling approximately HK$33.7 billion in December 2008 which significantly reduced the Group's cash balance.

Taxation charges in the first half of 2009 of HK$379 million compared to HK$387 million in the same period last year. Current taxation in the first half of 2009 decreased to HK$344 million compared to HK$483 million in the same period last year, reflecting a lower level of taxable profit generated by the Group. The increase in deferred taxation was due to the timing difference between the accounting base and the taxation base for depreciation charges arising from the change in the accounting estimate on the useful lives of certain fixed assets in Israel.

The Group recorded a loss from its continuing operations of HK$221 million compared to a profit of HK$1,684 million in the same period last year.

Loss from continuing operations attributable to the equity holders of the Company was HK$460 million for the six months ended 30 June 2009.

Operations Review

Indonesia

Our Indonesian operation continued to grow its customer base with strong acquisition momentum. On a yearly basis the customer base doubled to 6.4 million, largely a result of the increase in our population coverage with more than 7,300 base stations on-air at the end of June.

Financial results for the six months ended 30 June 2009

Turnover in the first half of 2009 was HK$223 million, an increase of 48.7% from HK$150 million in the same period last year. The increase in revenue was driven primarily by the significant growth in customer base and reflected a 100.9% increase on a yearly basis.

Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA") was HK$764 million compared to HK$348 million in the same period last year. The increase in LBITDA was mainly due to the network expansion and the increase in the number of leased base station tower sites that resulted in higher network operating costs.

Depreciation and amortisation increased to HK$191 million from HK$165 million in the same period last year. The increase in depreciation was mainly on the incremental capital expenditure recognised as fixed assets during the period and in the second half of last year.

During the first half of 2009, the Indonesian operation recognised two one-time gains totalling HK$233 million compared to the one-time gains in the same period last year of HK$1,463 million. A disposal gain of HK$167 million was recognised on the 248 base station tower sites transferred to PT Profesional Telekomunikasi Indonesia. Another one-time gain of HK$66 million was recognised as other income relating to a network supplier's compensation in the form of credit vouchers.

Operating loss for the first six months of 2009 was HK$722 million, compared to an operating profit of HK$950 million in the same period last year. If the one-time gains were excluded, the operation would have reported an operating loss of HK$955 million compared to HK$513 million in the same period last year.

Capital expenditure was HK$1,424 million, compared to HK$947 million in the same period last year, reflecting the accelerated network rollout strategy implemented since the second half last year.

During the first half of 2009, the outstanding debt under the vendor finance facility was fully repaid which was funded by an intra-group loan arrangement.

Israel

Partner Communications is one of the leading Israeli mobile communications operators with approximately 2,944,000 customers by the end of the second quarter, of which approximately 1,102,000 customers were under the 3G network. The 3G customer base increased 32.1% when compared with same period last year.

Financial results for the six months ended 30 June 2009

Turnover was HK$5,610 million for the first six months of 2009, a decrease of 19.7% compared to the same period last year. Excluding the impact of adverse foreign exchange movement, the underlying turnover decreased 6.6% which reflected the lower roaming activity and lower voice revenues resulting from the reduction in the billing interval from 12 second intervals to single second intervals mandated by the Ministry of Communications from 1 January 2009. The negative impact on revenues was partially offset by the 9.8% growth in SMS, content and data services in NIS terms compared to the first half last year.

EBITDA in the first half of 2009 was HK$2,093 million, a decrease of 11.7% compared to the same period last year. Excluding the impact of foreign exchange movement, the underlying EBITDA was comparable to last year.

Depreciation and amortisation was HK$623 million, a decrease of HK$402 million compared to the same period last year mainly due to the change in the accounting estimate on the useful lives of certain fixed assets in 2009 and the higher accelerated depreciation charge on some 3G equipment in the first half of 2008.

Operating profit of Partner Communications was HK$1,473 million compared to HK$1,345 million for the same period last year.

Capital expenditure on fixed assets of HK$522 million compared to HK$546 million in the same period last year.

Thailand

The Group's Thailand operation continued to deliver positive EBITDA, despite the impact of the economic and political instability in the first half of 2009.

Financial results for the six months ended 30 June 2009

Turnover was HK$525 million for the first half of 2009, a decrease of 15.5% from HK$621 million in the same period last year. The decline in turnover was mainly due to the decrease in the customer base and the economic environment. In addition, the weakening of the Thai Baht against HKD accounted for 7.5% of the decline.

EBITDA was HK$41 million, compared to HK$59 million in the same period last year mainly due to the reduction in revenue and adverse foreign exchange movement.

Operating profit for the first half of 2009 was HK$39 million, compared to HK$59 million in the same period last year.

Capital expenditure for the first half of 2009 was HK$20 million compared to HK$18 million in the same period last year. This expenditure represented the maintenance capital expenditure required for the business operation.

The Group remains in discussion about a potential exit for our Thailand operation with CAT Telecom Public Company Limited.

Others

"Others" is currently comprised of Vietnam, Sri Lanka and Corporate office.

Vietnam

Vietnamobile continued to operate under a business cooperation contract partnership with Hanoi Telecommunications Joint Stock Company in force since 2005.

We launched a GSM service in the second quarter of 2009 under the brand name "Vietnamobile". By the end of the quarter we had acquired approximately 624,000 customers, mostly in the prepaid segment, and had a network footprint of approximately 1,500 base stations on-air with approximately 65% population coverage.

Comparison to the prior period and like-for-like basis is not provided as Vietnamobile has changed its technology and business model from CDMA service provider to GSM. LBITDA was HK$125 million in the first half of 2009 and the operating loss for the period was HK$141 million.

Capital expenditure was HK$383 million and represented mainly the first phase investment in the core and access network of the GSM platform as well as the costs incurred for the conversion of the re-deployable part of the legacy CDMA network into the GSM standard.

Sri Lanka

Turnover for the first six months was HK$37 million, compared to HK$89 million for the same period last year. The significant decrease in turnover was attributable to the erosion in the customer base and decline in ARPU as a result of the severe market competition, increased government levies and subdued consumer environment.

LBITDA for the first six months of 2009 was HK$39 million. Depreciation and amortisation for the first half increased slightly to HK$20 million from HK$19 million in the same period last year and the operating loss for the first half of 2009 was HK$59 million. Despite the adverse environment, we continued our network expansion and target to increase the population coverage to 65% by the end of 2009.

Outlook

While the signs of any recovery in the global economy in the second quarter are unclear, we remain optimistic about the second half. The performance of our Indonesian and Vietnamese operations in the first half has been above our expectation and both operations will continue to focus on customer growth and increase market share penetration in the second half of the year.

I would like to thank the Board of Directors and all the Group's employees around the world for their continued hard work, support and dedication.

FOK Kin-ning, Canning
Chairman

Hong Kong, 12 August 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE

	Note	Unaudited 2008 HK$ millions	Unaudited 2009 HK$ millions	Unaudited 2009 US$ millions (Note 13)
Continuing operations:				
Turnover	4	7,991	6,411	827
Cost of inventories sold		(1,180)	(467)	(60)
Staff costs		(996)	(953)	(123)
Depreciation and amortisation		(1,434)	(854)	(110)
Other operating expenses		(3,986)	(3,874)	(500)
Profit on disposal of investments and others, net	6	1,464	236	30
Operating profit		1,859	499	64
Interest income		624	61	8
Interest and other finance costs		(412)	(402)	(51)
Profit before taxation		2,071	158	21
Taxation	7	(387)	(379)	(49)
Profit/(Loss) for the period from continuing operations		1,684	(221)	(28)
Discontinued operations:				
Profit from discontinued operations		279	196	25
Profit/(Loss) for the period		1,963	(25)	(3)
Attributable to:				
Equity holders of the Company:				
- continuing operations		912	(460)	(59)
- discontinued operations		253	175	22
		1,165	(285)	(37)
Minority interest:				
- continuing operations		772	239	31
- discontinued operations		26	21	3
		798	260	34
		1,963	(25)	(3)
Dividend	8	–	10,234	1,321
Earnings/(Loss) per share from continuing operations attributable to equity holders of the Company:				
- basic	9	HK$0.19	HK$(0.10)	US$(0.01)
- diluted	9	HK$0.19	HK$(0.10)	US$(0.01)
Earnings/(Loss) per share attributable to equity holders of the Company:				
- basic	9	HK$0.24	HK$(0.06)	US$(0.01)
- diluted	9	HK$0.24	HK$(0.06)	US$(0.01)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE

	Unaudited 2008	Unaudited 2009	Unaudited 2009
	HK$ millions	HK$ millions	US$ millions (Note 13)
Profit/(Loss) for the period	1,963	(25)	(3)
Other comprehensive income			
Actuarial gains of defined benefit plans, net of tax	–	31	4
Exchange translation differences	990	(12)	(2)
Cash flow hedges			
- effective portion of changes in fair value, net of tax	(102)	–	–
- transfer from equity to income statement, net of tax	95	–	–
Total other comprehensive income for the period	983	19	2
Total comprehensive income/(expense) for the period	2,946	(6)	(1)
Attributable to:			
Equity holders of the Company	1,690	(170)	(22)
Minority interest	1,256	164	21
	2,946	(6)	(1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Audited As at 31 December 2008	Unaudited As at 30 June 2009	Unaudited As at 30 June 2009
		HK$ millions	HK$ millions	US$ millions (Note 13)
ASSETS				
Current assets				
Cash and cash equivalents		2,525	742	96
Trade and other receivables		5,072	4,447	574
Stocks		463	283	37
Derivative financial assets		48	27	3
Total current assets		8,108	5,499	710
Assets held for sale		174	–	–
Non-current assets				
Fixed assets		17,216	9,613	1,240
Goodwill		6,815	2,473	319
Other intangible assets		7,160	5,665	731
Other non-current assets		3,844	2,550	329
Deferred tax assets		368	–	–
Interests in associates		2	–	–
Interests in jointly-controlled entities		88	–	–
Total non-current assets		35,493	20,301	2,619
Total assets		43,775	25,800	3,329
LIABILITIES				
Current liabilities				
Trade and other payables		8,000	5,645	729
Borrowings		7,652	1,795	232
Current income tax liabilities		104	25	3
Derivative financial liabilities		27	41	5
Total current liabilities		15,783	7,506	969
Non-current liabilities				
Borrowings		3,348	2,699	348
Deferred tax liabilities		457	397	51
Other non-current liabilities		2,458	3,982	514
Total non-current liabilities		6,263	7,078	913
Total liabilities		22,046	14,584	1,882
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,204	1,204	155
Reserves	12	17,909	7,521	970
		19,113	8,725	1,125
Minority interest		2,616	2,491	322
Total equity		21,729	11,216	1,447
Total equity and liabilities		43,775	25,800	3,329
Net current liabilities		(7,675)	(2,007)	(259)
Total assets less current liabilities		27,992	18,294	2,360

1. GENERAL INFORMATION

Hutchison Telecommunications International Limited (the "Company") was incorporated in the Cayman Islands on 17 March 2004 as a company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), and in the form of American Depositary Shares on New York Stock Exchange, Inc.

The Company and its subsidiaries (together the "Group") have been engaged in mobile telecommunications and related businesses in Hong Kong and Macau, Israel, Thailand, Indonesia, Vietnam and Sri Lanka. The Group also had fixed-line telecommunications business in Hong Kong and Israel. Following the distribution in specie of the entire share capital of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), the then indirect wholly-owned subsidiary of the Company, on 7 May 2009 and the listing of HTHKH's shares on the Main Board of the SEHK on 8 May 2009, the Group has since ceased to engage in the mobile telecommunications and related businesses in Hong Kong and Macau and the fixed-line telecommunications business in Hong Kong.

2. BASIS OF PREPARATION

These interim accounts are for the six months ended 30 June 2009. They have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and Appendix 16 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). These interim accounts should be read in conjunction with the 2008 annual accounts.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2008 annual accounts, except for the adoption of the new or revised International Financial Reporting Standards as issued by the IASB ("IFRS", which term collectively includes IAS and related interpretations), which are relevant to the Group's operations and are mandatory for accounting periods beginning on 1 January 2009. The adoption of these new or revised IFRS has no material effect on the Group's results and financial position for the current or prior periods.

4. TURNOVER

Turnover comprises revenues from the provision of mobile telecommunications services; handset and accessory sales; fixed-line telecommunications services and other non-telecommunications businesses. An analysis of turnover for both continuing and discontinued operations is as follows:

	Six months ended 30 June	
HK$ millions	**2008**	**2009**
Continuing operations		
Mobile telecommunications services	7,209	5,851
Mobile telecommunications products	782	521
Fixed-line telecommunications services	–	39
	7,991	6,411
Discontinued operations		
Mobile telecommunications services	2,263	1,541
Mobile telecommunications products	136	203
Fixed-line telecommunications services	1,352	975
Other non-telecommunications businesses	18	11
	3,769	2,730
	11,760	9,141

5. SEGMENT INFORMATION

Segment information is provided on the basis of primary geographical regions, the basis on which the Group manages its world-wide interests. Management of the Group measures the performance of its segments based on operating profit. The segment information on turnover and operating profit/(loss) agrees to the aggregate information in the interim accounts. As such, no reconciliation between the segment information and the aggregate information in the interim accounts is presented.

For the six months ended 30 June 2008

HK$ millions	Israel	Thailand	Indonesia	Others*	Continuing operations Total	Discontinued operations - Hong Kong and Macau
Turnover	6,990	621	150	230	7,991	3,769
Operating costs	(4,621)	(562)	(498)	(481)	(6,162)	(2,375)
Depreciation and amortisation	(1,025)	–	(165)	(244)	(1,434)	(972)
Profit on disposal of investments and others, net	1	–	1,463	–	1,464	–
Operating profit/(loss)	1,345	59	950	(495)	1,859	422
Capital expenditures incurred during the period	546	18	947	278	1,789	645

** "Others" segment for the six months ended 30 June 2008 comprised Sri Lanka, Ghana, Vietnam and Corporate.*

For the six months ended 30 June 2009

HK$ millions	Israel	Thailand	Indonesia	Others*	Continuing operations Total	Discontinued operations - Hong Kong and Macau
Turnover	5,610	525	223	53	6,411	2,730
Operating costs	(3,517)	(484)	(987)	(306)	(5,294)	(1,793)
Depreciation and amortisation	(623)	(2)	(191)	(38)	(854)	(671)
Profit on disposal of investments and others, net	3	–	233	–	236	–
Operating profit/(loss)	1,473	39	(722)	(291)	499	266
Capital expenditures incurred during the period	735	20	1,424	432	2,611	498

** "Others" segment for the six months ended 30 June 2009 comprised Sri Lanka, Vietnam and Corporate.*

6. PROFIT ON DISPOSAL OF INVESTMENTS AND OTHERS, NET

HK$ millions	Note	Six months ended 30 June 2008	2009
Net profit on partial disposal of a subsidiary	(a)	1	3
Profit on disposal of base station tower sites	(b)	732	167
Other income, net	(c)	731	66
		1,464	236

(a) Net profit on partial disposal of a subsidiary

During the six months ended 30 June 2009, the Group recorded a gain on partial disposal of a subsidiary of approximately HK$3 million (six months ended 30 June 2008 - HK$1 million) following the exercise of share options held by the option holders of Partner Communications Company Ltd. ("Partner Communications"), an indirect subsidiary of the Company.

(b) Profit on disposal of base station tower sites

On 18 March 2008, PT. Hutchison CP Telecommunications ("HCPT"), a non-wholly owned subsidiary of the Company, entered into a conditional Tower Transfer Agreement to sell up to 3,692 base station tower sites to PT Profesional Telekomunikasi Indonesia ("Protelindo") for a cash consideration of US$500 million (HK$3,882 million). Completion of the sale is expected to occur in tranches over a two-year period commencing on 18 March 2008. During the six months ended 30 June 2009, the sale of Tranches 3 and 4 comprising 248 sites was completed whereby the Group recognised a gain of US$21.4 million (HK$167 million) from the sale.

Concurrent with completion of the first tranche, HCPT and Protelindo have entered into a Master Lease Agreement pursuant to which HCPT has been given (i) the right to access, occupy and use the capacity reserved for HCPT on such of the base station tower sites and related infrastructure as HCPT may elect for an initial period of twelve years which, at HCPT's election, may be extended for another six years, and (ii) the option to acquire Protelindo's right, title and interest in such facilities at a pre-agreed price at the end of the 12-year initial term and at the end of the 18-year extended term if HCPT has exercised its option to extend the lease. The leaseback has been accounted for as an operating lease and the Group recognised an operating lease expense of HK$124 million during the six months ended 30 June 2009 (six months ended 30 June 2008 - HK$20 million).

(c) Other income, net

During the six months ended 30 June 2008, a subsidiary of the Company operating in Indonesia was provided with credit vouchers in compensation upon the waiver of certain contractual obligations of a key network supplier. The net amount of US$93.7 million (approximately HK$731 million) was included in the income statement for the six months ended 30 June 2008.

During the six months ended 30 June 2009, the subsidiary operating in Indonesia was also provided with credit vouchers from a network supplier in compensation for the network outage suffered from the network rollout amounting to US$8.5 million (HK$66 million), which was recognised as other income in the income statement for the six months ended 30 June 2009.

7. TAXATION

HK$ millions	2008 Current taxation	2008 Deferred taxation	2008 Total	2009 Current taxation	2009 Deferred taxation	2009 Total
	Six months ended 30 June					
Hong Kong	–	–	–	–	–	–
Outside Hong Kong	483	(96)	387	344	35	379
	483	(96)	387	344	35	379

During the six months ended 30 June 2009 and 2008, no Hong Kong profits tax has been provided for as all the Group's profits from continuing operations were generated outside Hong Kong. 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. The change in average applicable tax rate is caused by a change in the profitability of the Group's subsidiaries in respective countries.

8. DIVIDEND

HK$ millions	Six months ended 30 June 2008	2009
Interim dividend in specie, declared and paid, of one HTHKH share per one ordinary share of the Company	–	10,234

9. EARNINGS/(LOSS) PER SHARE

Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2008	2009
Weighted average number of shares in issue	4,784,413,333	4,814,346,208
Profit/(Loss) from continuing operations attributable to equity holders of the Company (HK$ millions)	912	(460)
Basic earnings/(loss) per share from continuing operations attributable to equity holders of the Company (HK$ per share)	0.19	(0.10)
Profit from discontinued operations attributable to equity holders of the Company (HK$ millions)	253	175
Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK$ per share)	0.05	0.04
Profit/(Loss) attributable to equity holders of the Company (HK$ millions)	1,165	(285)
Basic earnings/(loss) per share attributable to equity holders of the Company (HK$ per share)	0.24	(0.06)

9. **EARNINGS/(LOSS) PER SHARE (CONTINUED)**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options that have been granted under the Company's share option scheme to reflect the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2008	**2009**
Weighted average number of shares in issue	4,784,413,333	4,814,346,208
Adjustment for share options *(Note 1)*	24,666,453	–
Weighted average number of shares for the purpose of diluted earnings per share	4,809,079,786	4,814,346,208
Profit/(Loss) from continuing operations attributable to equity holders of the Company (HK$ millions)	912	(460)
Adjustment for dilutive impact arising from share options of a subsidiary (HK$ millions) *(Note 2)*	–	(2)
Profit/(Loss) from continuing operations attributable to equity holders of the Company for the purpose of diluted earnings/(loss) per share from continuing operations (HK$ millions)	912	(462)
Diluted earnings/(loss) per share from continuing operations attributable to equity holders of the Company (HK$ per share)	0.19	(0.10)
Profit from discontinued operations attributable to equity holders of the Company (HK$ millions)	253	175
Diluted earnings per share from discontinued operations attributable to equity holders of the Company (HK$ per share)	0.05	0.04
Profit/(Loss) attributable to equity holders of the Company (HK$ millions)	1,165	(285)
Adjustment for dilutive impact arising from share options of a subsidiary (HK$ million) *(Note 2)*	–	(2)
Profit/(Loss) attributable to equity holders of the Company for the purpose of diluted earnings/(loss) per share (HK$ millions)	1,165	(287)
Diluted earnings/(loss) per share attributable to equity holders of the Company (HK$ per share)	0.24	(0.06)

Notes:

1. *The outstanding share options granted by the Company has no dilutive effect during the six months ended 30 June 2009.*
2. *The adjustment for dilutive impact on loss per share for the six months ended 30 June 2009 arose from the employee stock options of Partner Communications outstanding as at 30 June 2009. Other than the Company itself, Partner Communications is the only company within the Group which has employee stock option plans.*

10. Trade Receivables

The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 30 to 45 days.

HK$ millions	As at 31 December 2008	As at 30 June 2009
The ageing analysis of trade receivables, net of provision for impairment of trade receivables is as follows:		
Current	1,969	1,410
31 - 60 days	615	599
61 - 90 days	187	108
Over 90 days	637	528
	3,408	2,645

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

11. TRADE PAYABLES

HK$ millions	As at 31 December 2008	As at 30 June 2009
The ageing analysis of trade payables is as follows:		
Current	1,305	1,012
31 - 60 days	392	270
61 - 90 days	125	104
Over 90 days	142	227
	1,964	1,613

12. RESERVES

HK$ millions	Share premium	Retained earnings / (Accumulated losses)	Cumulative translation adjustments	Fair value and other reserves	Investment revaluation reserves	Total
As at 1 January 2008	**21,510**	**27,771**	**(734)**	**309**	**1,233**	**50,089**
Profit attributable to equity holders of the Company for the period	–	1,165	–	–	–	1,165
Exchange translation differences	–	–	583	(51)	–	532
Cash flow hedges						
- effective portion of changes in fair value, net of tax	–	–	–	(102)	–	(102)
- transfer from equity to income statement, net of tax	–	–	–	95	–	95
Employee share option scheme						
- value of services provided	–	–	–	60	–	60
Issuance of ordinary shares arising from exercise of employee share options	38	–	–	(39)	–	(1)
Relating to dilution of interest in a subsidiary	–	–	–	(2)	–	(2)
As at 30 June 2008	**21,548**	**28,936**	**(151)**	**270**	**1,233**	**51,836**
As at 1 January 2009	**21,813**	**(4,155)**	**(1,059)**	**77**	**1,233**	**17,909**
Loss attributable to equity holders of the Company for the period	–	(285)	–	–	–	(285)
Actuarial gains of defined benefit plans, net of tax	–	16	–	–	–	16
Exchange translation differences	–	–	99	–	–	99
Effect of distribution in specie (Note 8)	–	(10,214)	(3)	(17)	–	(10,234)
Employee share option scheme						
- value of services provided	–	–	–	23	–	23
Relating to dilution of interest in a subsidiary	–	–	–	(7)	–	(7)
As at 30 June 2009	**21,813**	**(14,638)**	**(963)**	**76**	**1,233**	**7,521**

13. US DOLLAR EQUIVALENTS

The US dollar equivalents of the figures shown in these interim accounts are supplementary information and have been translated at HK$7.75 to US$1.00. Such translation should not be construed as representations that the Hong Kong dollar amounts represent, or have been or could be converted into, US dollar at that or any other rate.

CAPITAL RESOURCES AND LIQUIDITY

The capital and reserves attributable to equity holders of the Company as at 30 June 2009 were approximately HK$8,725 million, compared with HK$19,113 million as at 31 December 2008.

The net debt of the Group was approximately HK$6,014 million, comprising the cash and cash equivalents of approximately HK$742 million and debt of approximately HK$6,756 million, as follows:

	As at 30 June 2009			
	Total debt	Note	Cash and cash equivalents	Net cash / (debt)
Continuing operations	HK$ millions		HK$ millions	HK$ millions
Israel	(3,932)		328	(3,604)
Thailand	(342)		8	(334)
Indonesia	(220)		54	(166)
	(4,494)	(a)	390	(4,104)
Others	(2,262)	(b)	352	(1,910)
	(6,756)		742	(6,014)

(a) As at 30 June 2009, total borrowings of HK$39 million (as at 31 December 2008 - HK$69 million) were guaranteed by members of Hutchison Whampoa Limited ("HWL") group in respect of loans to the Group's Thailand operation only. Under the terms of a credit support agreement between the Company and HWL group, the Company agreed to pay a guarantee fee charged at normal commercial rates. The Company has also provided a counter-indemnity in favour of HWL and its related companies in respect of such guarantees, for so long as there remains a guarantee liability. The total amount of fees paid to HWL group for the six months ended 30 June 2009 in respect of these borrowings was HK$1 million (six months ended 30 June 2008 – HK$3 million).

As at 30 June 2009, no fixed assets and current assets of the Group were used as collateral for these borrowings (as at 31 December 2008 - fixed assets of HK$1,131 million and current assets of HK$14 million). None of these current borrowings (as at 31 December 2008 – HK$948 million) and non-current borrowings (as at 31 December 2008 - Nil) as at 30 June 2009 were secured.

(b) As at 30 June 2009, the Group was granted a senior secured term loan/revolving credit facility, as amended and restated in April 2009 from the original facility dated November 2008, from an indirect subsidiary of HWL, in the maximum aggregate amount of US$1,790 million (approximately HK$13,872 million) in two tranches at LIBOR + 2.45% per annum with final maturity on 15 November 2011. There is an upfront fee of US$5 million (approximately HK$39 million) and a commitment fee of 0.20% per annum on the daily undrawn balance of the facility. The facility is secured by the assets, rights and business and the issued share capital of the Company and certain of its subsidiaries and is guaranteed by the Company and certain of its subsidiaries. The undrawn facility of US$280 million under the first tranche expired on 14 May 2009. As at 30 June 2009, the loan due to the related company was US$290 million (approximately HK$2,262 million) which is repayable on 15 November 2011, while the amount of the undrawn facility in the maximum aggregate amount of US$1,220 million (approximately HK$9,455 million) is available to the Group until one week before the final maturity date of 15 November 2011.

The Group's total debt at 30 June 2009 is denominated and repayable as follows:

	USD	NIS	THB	Total
Within 1 year	1.0%	21.1%	4.5%	26.6%
In year 2	0.3%	21.2%	-	21.5%
In year 3	33.8%	15.9%	-	49.7%
In year 4	0.3%	-	-	0.3%
In year 5	0.3%	-	-	0.3%
Beyond 5 years	1.6%	-	-	1.6%
	37.3%	58.2%	4.5%	100.0%

As at 30 June 2009, approximately 96.6% of the Group's debt bore interest at floating rates and the remaining 3.4% was at fixed rates.

The non-Hong Kong Dollar and non-US Dollar denominated loans are mostly directly related to the Group's businesses in the countries of the currencies concerned.

The Group's cash and cash equivalents at 30 June 2009 are denominated as follows:

	HK$	USD	NIS	THB	Others	Total
Within 1 year	1.4%	44.6%	43.4%	1.1%	9.5%	100.0%

CAPITAL EXPENDITURE

The Group's capital expenditures for continuing operations in the first six months of 2008 and 2009 are as follows:

	Capital expenditure on fixed assets Six months ended 30 June		Capital expenditure on other intangible assets Six months ended 30 June	
HK$ millions	**2008**	**2009**	**2008**	**2009**
Israel	546	522	–	213
Thailand	18	20	–	–
Indonesia	947	1,424	–	–
Others	278	432	–	–
Total capital expenditures for continuing operations	1,789	2,398	–	213

Capital expenditure on fixed assets in the first six months of 2009 was HK$2,398 million, increased from HK$1,789 million in the same period last year. The increase in capital expenditure on fixed assets in Indonesian operation mainly reflected the capital expenditure incurred for the network rollout. Others comprised mainly network equipment purchases in our Vietnamese and Sri Lankan operations for HK$383 million and HK$49 million respectively.

Capital expenditure on other intangible assets comprised of customer acquisition and retention costs. It was HK$213 million in the first six months of 2009, compared with nil in the same period last year.

TREASURY POLICIES

The Group's overall treasury and funding policies focus on financial risks management, including interest rate and foreign exchange risks, and on cost efficient funding of the operations of its companies. Where appropriate, financings are raised through the Group's operating subsidiaries to meet their respective funding requirements. For overseas operations, which consist of non-Hong Kong Dollar and non-US Dollar assets, the Group generally endeavors to hedge its foreign currency positions with the appropriate level of borrowings in those same currencies. For transactions directly related to the underlying businesses, forward foreign exchange contracts and interest rate and currency swaps may be utilised when suitable opportunities arise. The use of derivative instruments is strictly controlled and solely for management of the Group's interest rate and foreign currency exchange rate exposures in connection with its borrowings. It is the Group's policy not to enter into derivative transactions for speculative purposes.

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had contingent liabilities in respect of the following:

(a) performance guarantees amounting to approximately HK$6 million (as at 31 December 2008 – HK$50 million).

(b) a total of 16 claims against the Group's subsidiary in Israel, Partner Communications, and, in some such claims, together with other cellular operators in Israel, each with a motion to certify as class action, in respect of the following:

In approximate HK$ millions	**Amount of claim** As at 31 December 2008	As at 30 June 2009
Alleged violation of antitrust law	246	235
Alleged consumer complaints	1,719	4,217
Alleged unauthorised erection of cellular antennas, causing environmental damages	2,050	1,960

During the six months ended 30 June 2009, Partner Communications has made a provision of NIS2.5 million (approximately HK$5 million) (as at 31 December 2008 – Nil), based on its estimate of the amount that may be required to settle two claims in an aggregate amount of approximately NIS74 million (approximately HK$145 million). Save for the aforesaid provision, the Company and Partner Communications have made no other provisions for the remaining claims.

(c) a claim of approximately NIS42.5 million (approximately HK$83 million) (as at December 2008 – NIS42.5 million (approximately HK$87 million)) by the Ministry of Communications in Israel (the "MOC") in respect of the past use of certain frequency band by Partner Communications pursuant to an agreement made between Partner Communications and the Palestinian mobile operator being allocated such frequency band, which agreement was endorsed by the MOC. During the six months ended 30 June 2009, Partner Communications has made a provision of NIS26 million (approximately HK$51 million) (as at 31 December 2008 – Nil) in respect of this claim.

SUBSEQUENT EVENT

Subsequent to 30 June 2009, the Group announced on 12 August 2009 that it had entered into an agreement to sell its entire shareholding in Partner Communications in Israel, for a total consideration, subject to adjustments, of NIS5,290,960,470 (approximately US$1,381 million) (approximately HK$10,706 million). The consideration is comprised of cash of NIS4,141,960,470 (approximately US$1,081 million) (approximately HK$8,381 million) and a secured debt instrument of US$300 million (approximately HK$2,325 million). The transaction, subject to certain completion conditions including regulatory approval, is targeted to be completed in the second half of this year. The profit before taxation from disposal on completion of the transaction (and translation into US$ (HK$)) is estimated to be approximately US$1,000 million (approximately HK$7,750 million).

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standards of corporate governance. Throughout the six months ended 30 June 2009, the Company has been fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") which is supplemented by the Securities Trading Policy as the Company's code of conduct regarding Directors' securities transactions. The Securities Trading Policy also applies to all personnel of the Company and its subsidiaries and all transactions in the Company's securities. All Directors of the Company have confirmed that throughout the six months ended 30 June 2009, they have complied with the provisions of both the Model Code and the Securities Trading Policy.

GENERAL INFORMATION

The Group's unaudited condensed consolidated interim accounts for the six months ended 30 June 2009 have been reviewed by the Company's auditor, 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 International Auditing and Assurance Standards Board. The auditor's independent review report will be included in the Interim Report to Shareholders. The Group's unaudited condensed consolidated interim accounts for the six months ended 30 June 2009 have also been reviewed by the Audit Committee of the Company.

As part of its periodic review of company filings, the United States Securities and Exchange Commission ("SEC") sent the Company comments in August 2008 regarding the Company's Annual Report on Form 20-F for the year ended 31 December 2007. A major comment that remains unresolved relates to the accounting treatment of sale and leaseback transactions for base station tower sites entered into by the Company's Indonesia subsidiary, HCPT, in 2008. These transactions were disclosed as a subsequent event in the Company's 2007 accounts, and details of the transactions and the applicable accounting treatment are disclosed in Note 6(b) of this Announcement. The Company believes the accounting treatment it adopted is appropriate, and is continuing to engage with and provide further requested information to the SEC. The Company cannot predict the outcome of this review, and there is a risk that an adjustment to the Company's accounts may be required in order to account for the sale and leaseback transactions as a finance lease. If the Company were required to account for the sale and leaseback transactions as a finance lease, the Company would not recognise a gain from the sales of the base station tower sites or an operating lease expense. Instead, the Company would be required to recognise the leased assets and the related finance lease obligations on our balance sheet and to recognise depreciation expense on the leased assets and an interest element of the lease payments as interest expense.

NON-GAAP MEASURES

While non-GAAP (generally accepted accounting principles) measures such as EBITDA and LBITDA are often used by companies as an indicator of operating performance, they are not expressly permitted measures under International Financial Reporting Standards and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks, uncertainties and assumptions. The Company cautions you that if these risks or uncertainties ever materialise or the assumptions prove incorrect, or if a number of important factors occur or do not occur, the Company's actual results may differ materially from those expressed or implied in any forward-looking statement. Additional information as to factors that may cause actual results to differ materially from the Company's forward-looking statements can be found in the Company's filings with the SEC.

As at the date of this announcement, the Directors of the Company are:

Executive Directors:
Mr. LUI Dennis Pok Man
Mr. Christopher John FOLL
Mr. CHAN Ting Yu
(Also alternate to Mr. Lui Dennis Pok Man)

Non-executive Directors:
Mr. FOK Kin-ning, Canning *(Chairman)*
Mrs. CHOW WOO Mo Fong, Susan
(Also alternate to Mr. Fok Kin-ning, Canning and Mr. Frank John Sixt)
Mr. Frank John SIXT

Independent Non-executive Directors:
Mr. KWAN Kai Cheong
Mr. John W. STANTON
Mr. Kevin WESTLEY

Alternate Director:
Mr. WOO Chiu Man, Cliff
(Alternate to Mr. Christopher John Foll)