Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 215)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

	2012 HK$ millions	2011 HK$ millions	Change
Consolidated turnover	15,536	13,407	+16%
Consolidated EBITDA (1)	3,020	2,611	+16%
Consolidated EBIT (2)	1,738	1,432	+21%
Profit attributable to shareholders of the Company	1,227	1,020	+20%
Earnings per share (in HK cents)	25.46	21.17	+20%
Final dividend per share (in HK cents)	13.03	10.70	+22%
Full year dividend per share (in HK cents)	19.08	15.86	+20%

- Turnover of mobile business was HK$12,383 million, of which service revenue amounted to HK$5,482 million. EBITDA and EBIT were HK$2,100 million (+23%) and HK$1,485 million (+25%) respectively.
- Turnover of fixed-line business was HK$3,640 million. EBITDA and EBIT were HK$1,050 million (+3%) and HK$383 million (+5%) respectively.
- Consolidated EBITDA less capital expenditure on property, plant and equipment was HK$1,416 million.

Note 1: EBITDA is defined as earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of jointly controlled entities.

Note 2: EBIT is defined as earnings before interest income, interest and other finance costs, taxation and share of results of jointly controlled entities.

CHAIRMAN'S STATEMENT

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together the "Group") continued to be a major market player in both mobile and fixed-line businesses. The Group delivered another set of solid results for the year ended 31 December 2012, driven by the ability of the Group as an integrated telecommunications operator to meet the growing demand for smart devices and tailored telecommunications services.

Results

Consolidated turnover rose 16% from HK$13,407 million in 2011 to HK$15,536 million in 2012. Consolidated EBITDA increased 16% from HK$2,611 million in 2011 to HK$3,020 million in 2012. Consolidated EBIT increased 21% from HK$1,432 million in 2011 to HK$1,738 million in 2012. Profit attributable to shareholders of the Company rose 20% from HK$1,020 million in 2011 to HK$1,227 million in 2012. Basic earnings per share in 2012 were 25.46 HK cents, a 20% increase compared to 21.17 HK cents in 2011.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 13.03 HK cents (2011: 10.70 HK cents) per share for the year ended 31 December 2012. The proposed final dividend will be payable on Thursday, 30 May 2013 following approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Tuesday, 21 May 2013, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 6.05 HK cents per share, full-year dividend will amount to 19.08 HK cents per share, representing a 20% increase compared to that of 2011. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company.

Business review

Mobile business – Hong Kong and Macau

Smart device popularity and an upsurge in data usage continued to drive growth in the mobile business. Turnover increased 19% to HK$12,383 million. EBITDA rose 23% to HK$2,100 million and EBIT grew 25% to HK$1,485 million, as a result of dedicated efforts of the Group to cultivate a high-value customer base and a strategic migration towards a non-subsidised handset business model.

As at 31 December 2012, our total customer base in Hong Kong and Macau was over 3.7 million (2011: 3.5 million) and 58% (2011: 53%) of our Hong Kong and Macau 3G and 4G postpaid customers were on smart devices. With continued rollout of our 4G Long-Term-Evolution ("LTE") service, and continued growth in customer demand for quality telecommunications applications and services, we expect a higher percentage of our customers to be on smart devices as the upward migration of our customer base continues. Postpaid ARPU (1) increased 7% to HK$261 in 2012 from HK$244 in 2011.

Note 1: ARPU is defined as the monthly average revenue per user including a customer's contribution to handset or device cost in a service and hardware bundled plan.

Our thorough understanding of customer needs enables us to design exclusive applications and services that ensure users reap the full benefits offered by smart devices. During 2012, we launched a host of practical and personalised initiatives including 3 Super Safe, WhatsApp Roaming Pass and 3 Super Smart Service.

We made investments to enhance network coverage throughout the year such as acquisition of a block of 30MHz 4G LTE spectrum in the 2300MHz band to support long-term business growth. We will continue to modernise our network, delivering wider and deeper coverage at the same time as accelerating spectrum refarm activities and deploying new spectrum in the near future. We are determined to uphold our commitment to making sure our customers enjoy a truly excellent and reliable mobile experience.

Fixed-line business

Various segments of our fixed-line business continued to grow during the year, as we accelerated both geographic expansion and customer acquisition. Turnover from our fixed-line business in 2012 was HK$3,640 million, showing an increase of 7% compared to 2011. EBITDA and EBIT in 2012 was HK$1,050 million and HK$383 million respectively, increasing 3% and 5% compared to 2011.

In international business, we continuously explore new markets and extend network reach which has involved forging new partnerships across continents while deepening existing ones. Our network strength and global reach form the cornerstone of our market position as a leading one-stop-shop service provider. Back in Hong Kong, our wholesale business is on the rise, driven by soaring demand for bandwidth in particular from local carriers as a result of the 4G LTE launch.

On the corporate front, our business enjoyed healthy growth as we introduced more new Information and Communications Technology services and products. We have joined forces with globally-renowned specialists to deliver world-class cloud computing and storage services supported by our state-of-the-art data centre facilities. Our cloud computing and data centre business is well-prepared to meet the needs of corporate customers. Drawing on years of experience and strong partnership support, we are ideally poised to take the lead in the development of cloud computing in the local market.

Turning to the residential sector, customers are looking for higher bandwidth connectivity and place greater value on tailored services. We launched an array of attractive offers including Android TV Box and Android K Box. We are in the vanguard of transforming household broadband service from mere provision of bandwidth to the offer of a whole new and exciting experience in home entertainment, featuring innovative and popular applications.

Outlook

Evolving technology has driven advancement in networks and devices to facilitate the exchange of information with improved speed, ease and convenience. As a leading integrated telecommunications operator, we are in an advantageous position to benefit from the trend of increasing data exchange and usage and to capitalise on future opportunities.

We have demonstrated a track record of growth and delivering sustainable returns, having laid a solid foundation for our operations with advanced network infrastructure supplemented by strong financial fundamentals. We are committed to seeking out opportunities to enhance service offerings for our customers and continue to invest in network projects in a disciplined manner to increase return to our 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

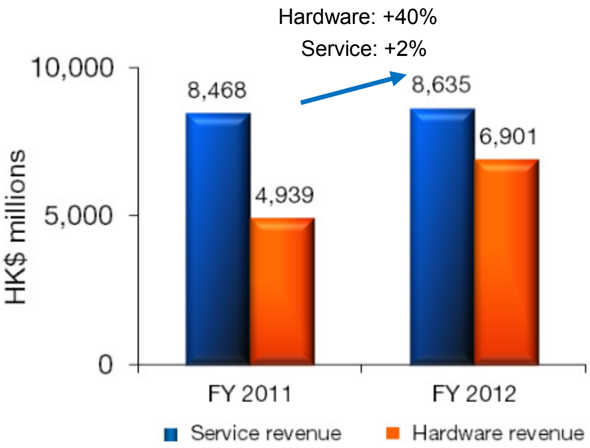
Hong Kong, 19 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

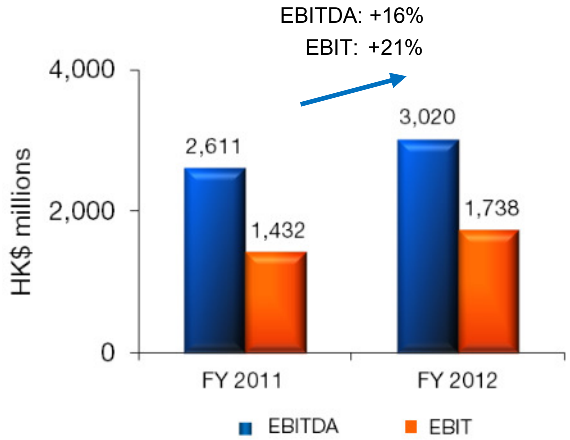
Consolidated turnover grew 16% from HK$13,407 million in 2011 to HK$15,536 million in 2012. Mobile and fixed-line service revenue increased 2% from HK$8,468 million in 2011 to HK$8,635 million in 2012. Higher-value smart device sales made a significant contribution to hardware revenue, which increased 40% from HK$4,939 million in 2011 to HK$6,901 million in 2012. Cost of inventories sold grew in line with increased hardware sales, rising 40% from HK$4,663 million in 2011 to HK$6,508 million in 2012.

Consolidated turnover



Total operating expenses, excluding cost of inventories sold, decreased from HK$7,312 million in 2011 to HK$7,290 million in 2012. The decrease was mainly due to the reduction in customer acquisition costs which fell from HK$1,155 million in 2011 to HK$708 million in 2012, as we placed a greater focus on migrating our customers to higher-value mobile services and migration towards a non-subsidised handset business model. The savings in customer acquisition costs were partially offset by 5% inflationary increase in operating expenses and 14% increase in staff costs due to increase in staff size and inflationary impact. In addition, depreciation and amortisation increased 9% from HK$1,179 million in 2011 to HK$1,282 million in 2012, as a result of capacity and spectrum expansion.

Consolidated EBITDA and EBIT



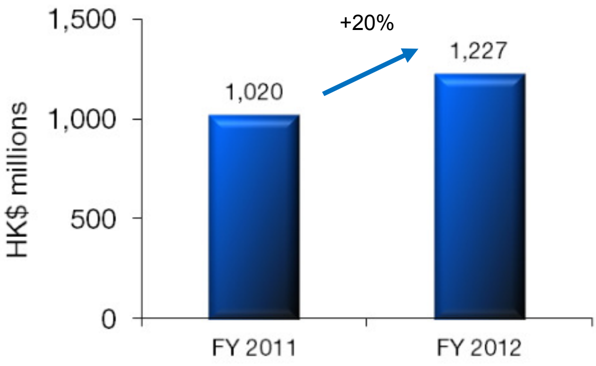
Consolidated EBITDA rose 16% from HK$2,611 million in 2011 to HK$3,020 million in 2012. Consolidated EBIT grew from HK$1,432 million in 2011 to HK$1,738 million in 2012, an increase of 21%.

Gearing ratio, calculated by dividing net debt by net total capital, was 24% (2011: 26%) as a result of repayment of borrowings. Interest and other finance costs increased from HK$124 million in 2011 to HK$166 million in 2012 mainly as a result of the overall increase in prevailing market interest rate.

Share of losses of jointly controlled entities in 2012 stood at HK$3 million, compared to HK$4 million in 2011. Taxation in 2012 was HK$54 million, compared to HK$49 million in 2011.

Overall, the Group reported growth of 20% in profit attributable to shareholders of the Company, from HK$1,020 million in 2011 to HK$1,227 million in 2012.

Profit attributable to shareholders



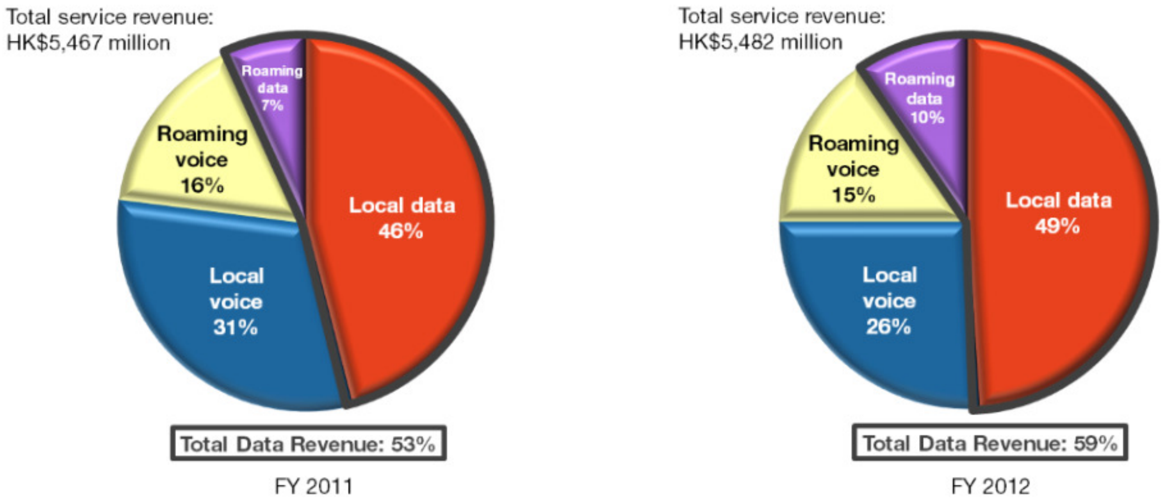
Business review

The Group is engaged in two principal businesses – mobile and fixed-line.

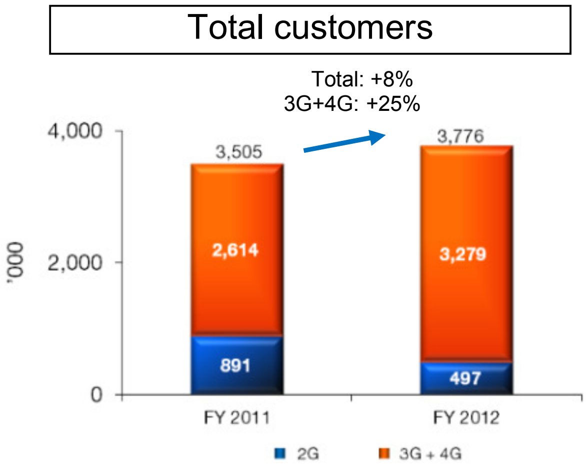
Mobile business in Hong Kong and Macau

Growth in our mobile telecommunications business continued during 2012. We recorded mobile business turnover of HK$12,383 million in 2012, a 19% rise from HK$10,406 million in 2011. This was the result of overwhelming demand for smart devices. Mobile service revenue of HK$5,482 million in 2012 was comparable to that in 2011 as a 12% increase in data revenue was offset by a 13% reduction in voice revenue. Data services growth momentum continued in 2012 and accounted for 59% of total service revenue, of which roaming data revenue recorded a 32% increase with growing usage of smart devices.

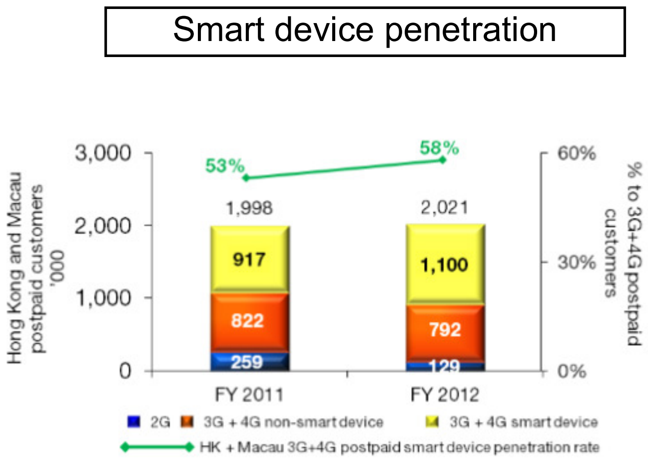
Mobile service revenue

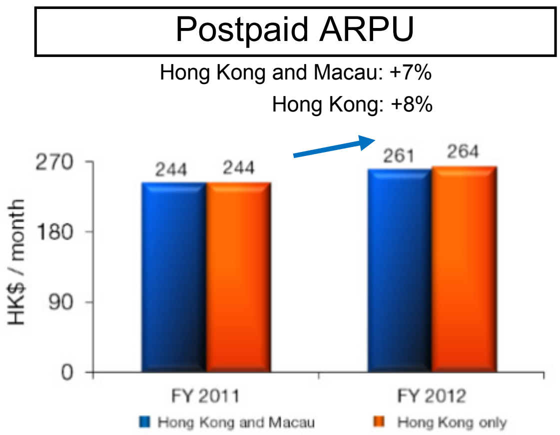


As at 31 December 2012, our Hong Kong and Macau customer base increased 8% to over 3.7 million. Our postpaid 3G and 4G customers accounted for 94% of our postpaid customer base. The number of Hong Kong and Macau postpaid customers totalled 2.0 million as at 31 December 2012.



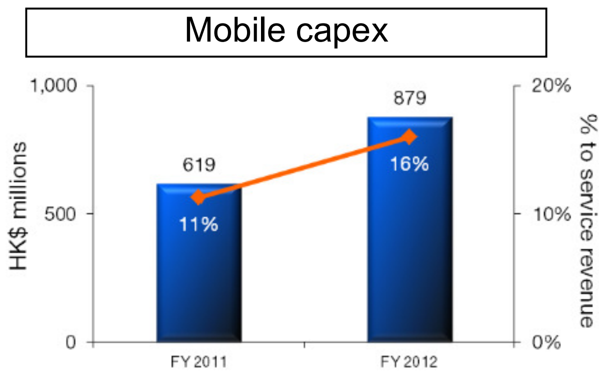
The introduction of new smart devices in 2012 was met with enthusiasm and an increased number of customers have adopted smartphones and tablets. As at 31 December 2012, smart device penetration of our 3G and 4G postpaid customer base in Hong Kong and Macau reached 58%. Blended postpaid ARPU in 2012 was HK$261, representing an increase of 7% from HK$244 in 2011. Hong Kong blended postpaid ARPU rose from HK$244 in 2011 to HK$264 in 2012, showing a rise of 8% driven by greater data usage and demand for tailored value-added services.





Robust demand for hardware and data services, coupled with effective cost control, translated into a rise in profit. In 2012, EBITDA increased 23% to HK$2,100 million from HK$1,712 million in 2011 while EBIT increased 25% from HK$1,184 million in 2011 to HK$1,485 million in 2012.

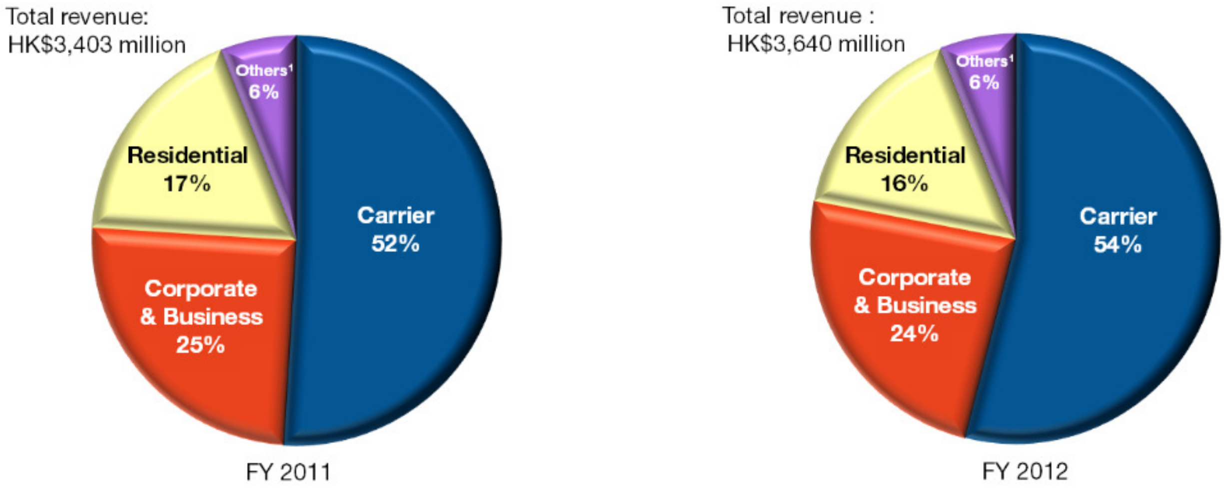
Capital expenditure on property, plant and equipment amounted to HK$879 million in 2012, accounting for 16% of mobile service revenue. The increase was mainly due to rollout of our 4G LTE network.



Fixed-line business

Turnover showed a 7% increase from HK$3,403 million in 2011 to HK$3,640 million in 2012. The carrier market contributed more than half of our total revenue, delivering a growth of 10% from HK$1,781 million in 2011 to HK$1,958 million in 2012. Revenue from the corporate and business market increased 6% to HK$891 million in 2012 from HK$840 million in 2011. Revenue from the residential market in 2012 was HK$584 million, compared to HK$583 million in 2011.

Fixed-line revenue

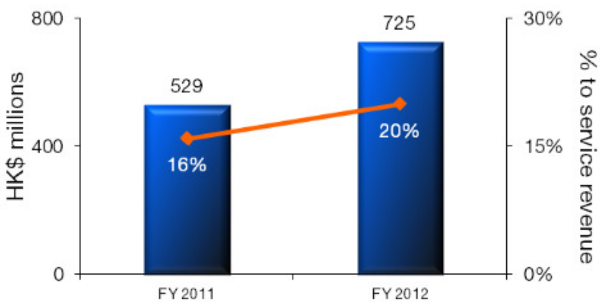


[1] *Others include revenue from interconnection charges and data centres.*

EBITDA increased 3% from HK$1,016 million in 2011 to HK$1,050 million in 2012. EBIT amounted to HK$383 million in 2012, an increase of 5% compared to HK$364 million in 2011.

Capital expenditure on property, plant and equipment was HK$725 million in 2012, accounting for 20% of fixed-line service revenue. The increase was mainly a result of more fibre penetration and revenue-driven projects.

Fixed-line capex



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$ millions	2011 HK$ millions
Turnover	3	15,536	13,407
Cost of inventories sold		(6,508)	(4,663)
Staff costs		(737)	(646)
Customer acquisition costs		(708)	(1,155)
Depreciation and amortisation		(1,282)	(1,179)
Other operating expenses		(4,563)	(4,332)
		1,738	1,432
Interest income	5	12	6
Interest and other finance costs	5	(166)	(124)
Share of results of jointly controlled entities		(3)	(4)
Profit before taxation		1,581	1,310
Taxation	6	(54)	(49)
Profit for the year		1,527	1,261
Attributable to:			
Shareholders of the Company		1,227	1,020
Non-controlling interests		300	241
		1,527	1,261
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	7	25.46	21.17
- diluted	7	25.46	21.17

Details of interim dividend paid and proposed final dividend payable to shareholders of the Company are set out in Note 8.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK$ millions	2011 HK$ millions
Profit for the year	1,527	1,261
Other comprehensive income recognised directly in equity		
Actuarial losses of defined benefit plans	(43)	(65)
Currency translation differences	1	(1)
Total comprehensive income for the year, net of tax	1,485	1,195
Total comprehensive income attributable to:		
Shareholders of the Company	1,185	954
Non-controlling interests	300	241
	1,485	1,195

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 HK$ millions	2011 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		10,274	9,690
Goodwill		4,503	4,503
Other intangible assets		1,702	1,718
Other non-current assets		1,144	1,207
Deferred tax assets		368	368
Investments in jointly controlled entities		486	332
Total non-current assets		18,477	17,818
Current assets			
Cash and cash equivalents	9	182	182
Trade receivables and other current assets	10	2,040	1,787
Inventories		201	299
Total current assets		2,423	2,268
Current liabilities			
Trade and other payables	11	4,861	4,615
Borrowings		-	3,853
Current income tax liabilities		13	10
Total current liabilities		4,874	8,478
Net current liabilities		(2,451)	(6,210)
Total assets less current liabilities		16,026	11,608
Non-current liabilities			
Deferred tax liabilities		276	231
Borrowings		3,746	-
Other non-current liabilities		913	964
Total non-current liabilities		4,935	1,195
Net assets		11,091	10,413
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		9,757	9,379
Total shareholders' funds		10,962	10,584
Non-controlling interests		129	(171)
Total equity		11,091	10,413

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to shareholders of the Company									
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
As at 1 January 2012	1,205	11,184	(1,730)	-	(92)	-	17	10,584	(171)	10,413
Profit for the year	-	-	1,227	-	-	-	-	1,227	300	1,527
Other comprehensive income										
Actuarial losses of defined benefit plans	-	-	-	-	(43)	-	-	(43)	-	(43)
Currency translation differences	-	-	-	1	-	-	-	1	-	1
Total comprehensive income, net of tax	-	-	1,227	1	(43)	-	-	1,185	300	1,485
Dividend paid (Note 8)	-	-	(808)	-	-	-	-	(808)	-	(808)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	-	1	-	1
As at 31 December 2012	1,205	11,185	(1,311)	1	(135)	-	17	10,962	129	11,091

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to shareholders of the Company									
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Employee share-based compensation reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
As at 1 January 2011	1,204	11,182	(2,172)	1	(27)	1	17	10,206	(404)	9,802
Profit for the year	-	-	1,020	-	-	-	-	1,020	241	1,261
Other comprehensive income										
Actuarial losses of defined benefit plans	-	-	-	-	(65)	-	-	(65)	-	(65)
Currency translation differences	-	-	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive income, net of tax	-	-	1,020	(1)	(65)	-	-	954	241	1,195
Dividend paid	-	-	(578)	-	-	-	-	(578)	-	(578)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(8)	(8)
Employee share option scheme - proceeds from shares issued	1	2	-	-	-	(1)	-	2	-	2
As at 31 December 2011	1,205	11,184	(1,730)	-	(92)	-	17	10,584	(171)	10,413

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$ millions	2011 HK$ millions
Cash flows from operating activities			
Cash generated from operations		2,969	2,652
Interest and other finance costs paid		(75)	(56)
Tax paid		(6)	(6)
Net cash generated from operating activities		2,888	2,590
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,596)	(1,141)
Additions to other non-current assets		(20)	(61)
Additions to other intangible assets		(150)	(1,077)
Proceeds from disposals of property, plant and equipment		3	53
Payment relating to investments in jointly controlled entities		(182)	(66)
Net cash used in investing activities		(1,945)	(2,292)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		1	2
Proceeds from borrowings		5,912	2,170
Repayment of borrowings		(6,040)	(1,890)
Dividend paid to the shareholders of the Company	8	(808)	(578)
Dividend paid to non-controlling interests		(8)	-
Net cash used in financing activities		(943)	(296)
Increase in cash and cash equivalents		-	2
Cash and cash equivalents at beginning of year		182	180
Cash and cash equivalents at end of year		182	182

NOTES

1 General information

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (together the "Group") are principally engaged in mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and whose American Depositary Shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements were approved for issuance by the Board of Directors on 19 March 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

As at 31 December 2012, the current liabilities of the Group exceeded its current assets by approximately HK$2,451 million. Included in the current liabilities were non-refundable customer prepayments of HK$947 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the Group's net current liabilities would have been approximately HK$1,504 million. The future funding requirements of the Group are expected to be met through the cash flows generated from operating activities and the drawdown of the revolving and term credit facility of HK$5,500 million available from a group of international commercial banks up to 14 June 2015. As at 31 December 2012, the undrawn revolving and term credit facility amounted to approximately HK$1,754 million. Based on the Group's history of its ability to obtain external financing, its operating performance and its expected future working capital requirements, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(b) Amendment adopted by the Group

During the year, the Group has adopted the following amendment which is relevant to the Group's operations and is effective for accounting periods beginning on 1 January 2012:

IFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets

2 Summary of significant accounting policies (Continued)

(c) New/revised standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

At the date of approval of these financial statements, the following new/revised standards and amendments to existing standards have been issued but are not yet effective for the year ended 31 December 2012:

IFRSs (Amendments) (ii)	Annual Improvements 2009-2011 Cycle
IAS 1 (Amendment) (i)	Financial Statements Presentation
IAS 19 (Amendment) (ii)	Employee Benefits
IAS 27 (Revised 2011) (ii)	Separate Financial Statements
IAS 28 (Revised 2011) (ii)	Associates and Joint Ventures
IAS 32 (Amendment) (iii)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
IFRS 7 (Amendment) (ii)	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 9 (iv)	Financial Instruments
IFRS 7 and IFRS 9 (Amendments) (iv)	Mandatory Effective Date and Transition Disclosures
IFRS 10 (ii)	Consolidated Financial Statements
IFRS 11 (ii)	Joint Arrangements
IFRS 12 (ii)	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments) (ii)	Transition Amendments
IFRS 10, IFRS 12 and IAS 27 (Amendments) (iii)	Investment Entities
IFRS 13 (ii)	Fair Value Measurements

(i) Effective for annual periods beginning on or after 1 July 2012
(ii) Effective for annual periods beginning on or after 1 January 2013
(iii) Effective for annual periods beginning on or after 1 January 2014
(iv) Effective for annual periods beginning on or after 1 January 2015

The impact of adoption of these new/revised standards and amendments to existing standards in future periods is not currently known or cannot be reasonably estimated.

(d) Critical accounting estimates and assumptions

Significant estimates and assumptions concerning the future may be required in selecting and applying accounting methods and policies in these financial statements. The Group bases its estimates and assumptions on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates or assumptions. The following is a review of the more significant estimates and assumptions used in the preparation of these financial statements.

(i) Estimated useful life for telecommunications infrastructure and network equipment

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2012, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$8,836 million (2011: HK$8,737 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

2 Summary of significant accounting policies (Continued)

(d) Critical accounting estimates and assumptions (Continued)

(ii) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2012 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware. The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing the fair values of both of these elements by considering, among others, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair values of the elements as a result of changes in market conditions.

3 Turnover

Turnover comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	2012 HK$ millions	2011 HK$ millions
Mobile telecommunications services	5,480	5,464
Fixed-line telecommunications services	3,155	3,004
Telecommunications hardware	6,901	4,939
	15,536	13,407

4 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. Management of the Group measures the performance of its segments based on EBITDA/(LBITDA) [(a)] and EBIT/(LBIT) [(b)]. The segment information on turnover, EBITDA/(LBITDA), EBIT/(LBIT), total assets and total liabilities agreed to the aggregate information in the consolidated financial statements. As such, no reconciliation between the segment information and the aggregate information in the consolidated financial statements is presented.

	As at and for the year ended 31 December 2012				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover - service	5,482	3,640	-	(487)	8,635
Turnover - hardware	6,901	-	-	-	6,901
	12,383	3,640	-	(487)	15,536
Operating costs	(10,283)	(2,590)	(130)	487	(12,516)
EBITDA/(LBITDA)	2,100	1,050	(130)	-	3,020
Depreciation and amortisation	(615)	(667)	-	-	(1,282)
EBIT/(LBIT)	1,485	383	(130)	-	1,738
Total assets before investments in jointly controlled entities	9,572	10,920	13,174	(13,252)	20,414
Investments in jointly controlled entities	393	93	-	-	486
Total assets	9,965	11,013	13,174	(13,252)	20,900
Total liabilities	(12,394)	(6,703)	(93)	9,381	(9,809)
Other information:					
Additions to property, plant and equipment	879	725	-	-	1,604
Additions to other intangible assets	152	-	-	-	152

4 Segment information (Continued)

	As at and for the year ended 31 December 2011				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover - service	5,467	3,403	-	(402)	8,468
Turnover - hardware	4,939	-	-	-	4,939
	10,406	3,403	-	(402)	13,407
Operating costs	(8,694)	(2,387)	(117)	402	(10,796)
EBITDA/(LBITDA)	1,712	1,016	(117)	-	2,611
Depreciation and amortisation	(528)	(652)	-	1	(1,179)
EBIT/(LBIT)	1,184	364	(117)	1	1,432
Total assets before investments in jointly controlled entities	9,038	10,949	13,097	(13,330)	19,754
Investments in jointly controlled entities	313	19	-	-	332
Total assets	9,351	10,968	13,097	(13,330)	20,086
Total liabilities	(12,981)	(5,995)	(157)	9,460	(9,673)
Other information:					
Additions to property, plant and equipment	619	529	-	-	1,148
Additions to other intangible assets	1,532	-	-	-	1,532

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of jointly controlled entities.

(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of jointly controlled entities.

The total revenue from external customers in Hong Kong for the year ended 31 December 2012 amounted to approximately HK$14,849 million (2011: HK$12,723 million) and the total revenue from external customers in Macau for the year ended 31 December 2012 amounted to approximately HK$687 million (2011: HK$684 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2012 amounted to approximately HK$17,741 million (2011: HK$17,119 million) and the total of these non-current assets located in Macau as at 31 December 2012 amounted to approximately HK$368 million (2011: HK$331 million).

5 Interest and other finance costs, net

	2012 HK$ millions	2011 HK$ millions
Interest income:		
Interest income from jointly controlled entities	12	6
Interest and other finance costs:		
Bank loans repayable within 5 years	(62)	(47)
Notional non-cash interest accretion [(a)]	(76)	(67)
Guarantee and other finance fees	(34)	(16)
	(172)	(130)
Less: Amounts capitalised on qualifying assets	6	6
	(166)	(124)
Interest and other finance costs, net	(154)	(118)

(a) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the consolidated statement of financial position such as licence fees liabilities and asset retirement obligations to the present value of the estimated future cash flows expected to be required for their settlement in the future.

6 Taxation

	2012			2011		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	45	45	-	41	41
Outside Hong Kong	9	-	9	8	-	8
	9	45	54	8	41	49

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

7 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$1,227 million (2011: HK$1,020 million) and on the weighted average number of 4,818,485,607 (2011: 4,817,603,057) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2012 is calculated by adjusting the weighted average number of 4,818,485,607 (2011: 4,817,603,057) ordinary shares in issue with the weighted average number of 432,063 (2011: 940,132) ordinary shares deemed to be issued assuming the exercise of the share options.

8 Dividends

	2012 HK$ millions	2011 HK$ millions
Interim, paid of 6.05 HK cents per share (2011: 5.16 HK cents per share)	292	249
Final, proposed of 13.03 HK cents per share (2011: 10.70 HK cents per share)	628	516
	920	765

9 Cash and cash equivalents

	2012 HK$ millions	2011 HK$ millions
Cash at banks and in hand	87	109
Short-term bank deposits	95	73
	182	182

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.31% per annum (2011: 0.01% to 0.41%). These deposits have an average maturity of 1 to 14 days (2011: 1 to 14 days).

The carrying values of cash and cash equivalents approximate their fair values.

10 Trade receivables and other current assets

	2012 HK$ millions	2011 HK$ millions
Trade receivables	1,927	1,626
Less: Provision for doubtful debts	(202)	(189)
Trade receivables, net of provision [a]	1,725	1,437
Other receivables	104	130
Prepayments and deposits	211	220
	2,040	1,787

(a) Trade receivables, net of provision

	2012 HK$ millions	2011 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	1,133	916
31 - 60 days	245	209
61 - 90 days	97	106
Over 90 days	250	206
	1,725	1,437

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The carrying values of trade receivables approximate their fair values.

11 Trade and other payables

	2012 HK$ millions	2011 HK$ millions
Trade payables	870	462
Other payables and accruals [(a)]	2,880	3,026
Deferred revenue	947	969
Current portion of licence fees liabilities	164	158
	4,861	4,615

(a) Trade payables

	2012 HK$ millions	2011 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	404	188
31 - 60 days	76	56
61 - 90 days	67	39
Over 90 days	323	179
	870	462

GROUP CAPITAL RESOURCES AND OTHER INFORMATION

Treasury Management

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. The treasury function of the Group operates as a centralised service for managing group funding needs and monitoring financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty risks.

The Group uses interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the assets and liabilities of the Group. It is the policy of the Group not to enter into derivative transactions or invest in financial products, such as hedge funds or similar vehicles, as part of any speculative exercise.

Cash management and funding

In general, financing is raised mainly in the form of bank borrowings to meet funding requirements of the operating subsidiaries of the Group. Close monitoring of the overall debt position of the Group involves regular reviews of funding costs and maturity profile in order to facilitate refinancing.

Interest rate exposure

The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt.

Foreign currency exposure

The Group runs telecommunications operations in Hong Kong and Macau, with transactions denominated in Hong Kong dollars and Macau Patacas. The Group is exposed to other currency movements, primarily in terms of certain trade receivables/payables and bank deposits denominated in United States dollars and Euros.

Credit exposure

The Group operates a central cash-management system for all subsidiaries. The Group’s holding of surplus funds are managed in a prudent manner, usually in the form of deposits with banks or financial institutions, which exposes the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparty credit risks in relation to operating activities, which are continuously monitored by management.

Liquidity and Capital Resources

The Group is financed by share capital, internally-generated funds and external borrowings. During the year ended 31 December 2012, an additional 890,000 shares of HK$0.25 each were issued upon exercise of share options under the share option scheme of the Company. As at 31 December 2012, the Group recorded share capital of HK$1,205 million and total equity of HK$11,091 million.

The cash and cash equivalents amounted to HK$182 million as at 31 December 2012 (2011: HK$182 million), 39% of which were denominated in Hong Kong dollars, 30% in United States dollars, 11% in Renminbi with remaining in various other currencies. As at 31 December 2012, the Group had bank borrowings of HK$3,746 million (2011: HK$3,853 million) which were denominated in Hong Kong dollars and repayable in June 2015 (2011: repayable in December 2012). During the year ended 31 December 2012, the Group completed a refinancing of its credit facilities. Previous facilities have been replaced with a revolving and term credit facility of HK$5,500 million, available from a group of international commercial banks up to 14 June 2015. The gearing ratio, calculated by dividing net debt by net total capital, was 24% (2011: 26%) as at 31 December 2012 as a result of repayment of borrowings.

Cash Flows

The Group maintains a healthy financial position, benefiting from solid operating cash inflows. During the year ended 31 December 2012, net cash generated from operating activities and used in investing activities of the Group amounted to HK$2,888 million (2011: HK$2,590 million) and HK$1,945 million (2011: HK$2,292 million) respectively. Major outflow of funds during 2012 included payments for capital expenditure, spectrum utilisation fee for a block of radio spectrum acquired, investments in jointly controlled entities, repayment of borrowings and dividends.

Charges on Group Assets

As at 31 December 2012, except for all of the shares of a jointly controlled entity owned by the Group which were pledged as security in favour of the jointly controlled entity partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the year ended 31 December 2012 was HK$1,604 million (2011: HK$1,148 million), of which mobile and fixed-line businesses accounted for HK$879 million (2011: HK$619 million) and HK$725 million (2011: HK$529 million) respectively, reflecting our continued investment in network modernisation and expansion to support long-term business growth.

Acquisition of Radio Spectrum

During the year ended 31 December 2012, the Group acquired a block of radio spectrum in the 2300MHz band with a consideration of HK$150 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

Contingent Liabilities

As at 31 December 2012, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$847 million (2011: HK$810 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of our spectrum licence obligations.

Capital Commitments

As at 31 December 2012, the Group had total capital commitments of property, plant and equipment, radio spectrum and investments in jointly controlled entities amounting to HK$2,051 million (2011: HK$2,204 million).

Corporate Strategy

Our strategy is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for our shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Human Resources

As at 31 December 2012, the Group employed 1,920 full-time staff members. Staff costs during the year ended 31 December 2012, including directors' emoluments, totalled HK$737 million (2011: HK$646 million).

The Group fully recognises the importance of high-quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group, which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds, retirement plans, long-service awards and a share option plan. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities arranged by the Group.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We deliver quality products and services to our customers by managing our businesses prudently and diligently and executing management decisions via our hard-working and dedicated employees. The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment helps strengthen our relationship with the community. Operating as a sound corporate citizen via sponsorship and supporting socially-responsible projects at company level, we are committed to bringing positive impact to the general welfare of the community.

Review of Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2012 have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor’s report will be included in the Annual Report to shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 9 May 2013 to Tuesday, 14 May 2013, both days inclusive, for the purpose of determining shareholders’ entitlement to attend and vote at the 2013 Annual General Meeting.

In order to be eligible to attend and vote at the 2013 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 8 May 2013.

Record date for Proposed Final Dividend

The record date for the purpose of determining shareholders’ entitlement to the proposed final dividend will be Tuesday, 21 May 2013.

In order to qualify for the entitlement to the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 May 2013.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the year.

Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Stock Exchange has made certain amendments to the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and renamed it the Corporate Governance Code (the "Revised Code", together with the former code as the "CG Code"), with effect from 1 April 2012.

The Company has complied throughout the year with all the code provisions of the CG Code applicable during the year, other than those in respect of the nomination committee of the Revised Code. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors, including the Chairman of the Board and the Chief Executive Officer & Group Managing Director, as and when appropriate.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Group regarding securities transactions of Directors for the year ended 31 December 2012. The Model Code has been updated to reflect the recent amendments to the Listing Rules which took effect in 2013. All Directors of the Company confirmed that they have complied with the Model Code throughout 2012.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday, 14 May 2013. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

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

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning
(also Alternate to Mrs CHOW WOO Mo Fong, Susan)

Deputy Chairman and Non-executive Director:
Mr LUI Dennis Pok Man

Executive Director:
Mr WONG King Fai, Peter

Non-executive Directors:
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
(also Alternate to Mr Frank John SIXT)
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr CHEONG Ying Chew, Henry
(also Alternate to Dr WONG Yick Ming, Rosanna)
Mr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna