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)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

HIGHLIGHTS

	For the six months ended 30 June 2013 HK$ millions	For the six months ended 30 June 2012 HK$ millions (Restated) (1)	Change
Consolidated turnover	6,149	6,730	-9%
Consolidated EBITDA (2)	1,471	1,440	+2%
Consolidated EBIT (3)	820	795	+3%
Profit attributable to shareholders of the Company	572	562	+2%
Earnings per share (in HK cents)	11.87	11.66	+2%
Interim dividend per share (in HK cents)	6.25	6.05	+3%

- Turnover of mobile business was HK$4,452 million, of which service revenue amounted to HK$2,638 million. EBITDA and EBIT were HK$941 million (-5%) and HK$650 million (-3%) respectively.
- Turnover of fixed-line business was HK$1,927 million. EBITDA and EBIT were HK$593 million (+16%) and HK$233 million (+28%) respectively.
- Consolidated EBITDA less capital expenditure on property, plant and equipment was HK$909 million (+4%).

Note 1: The interim results for the six months ended 30 June 2012 have been restated to reflect a change in the accounting policy with respect to defined benefit plans for employee benefits. Such change in the accounting policy resulted in an increase in staff costs by HK$6 million in the first half of 2012.

Note 2: EBITDA is defined as earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.

Note 3: EBIT is defined as earnings before interest income, interest and other finance costs, taxation and share of results of joint ventures.

CHAIRMAN'S STATEMENT

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together the "Group") continued to deliver solid performance during the six months ended 30 June 2013. Our position as a leading integrated telecommunications service provider, with strong fundamentals, has been instrumental in maintaining sustainable profit growth momentum in a fast-changing business environment.

Results

Consolidated turnover was HK$6,149 million for the first six months of 2013 compared with HK$6,730 million for the same period in 2012. Consolidated EBITDA and EBIT for the first half of 2013 were HK$1,471 million and HK$820 million respectively, compared with HK$1,440 million and HK$795 million respectively for the first half of 2012. Profit attributable to shareholders of the Company for the six months ended 30 June 2013 increased to HK$572 million from HK$562 million for the same period in 2012. Basic earnings per share for the first half of 2013 were 11.87 HK cents compared with 11.66 HK cents for the same period in 2012.

Dividends

The Board of Directors (the "Board") has declared payment of an interim dividend for the first half of 2013 of 6.25 HK cents (30 June 2012: 6.05 HK cents) per share, payable on Thursday, 5 September 2013 to those persons registered as shareholders of the Company on Tuesday, 27 August 2013, being the record date for determining shareholders' entitlement to the interim dividend. The Board expects a total full-year dividend payout to be equivalent to 75% of annual profit attributable to shareholders.

Business review

Mobile business – Hong Kong and Macau

Mobile business turnover was HK$4,452 million for the first half of 2013, 15% lower than that for the same period of 2012 mainly due to lower mobile hardware sales. Mobile hardware revenue reduced by 28% compared with the same period in 2012. Mobile service revenue reduced by 3%, as the business transited from a subsidised handset business model to a non-subsidised handset business model. The application of this model began in 2010 and the related transition impact was completed in the first half of 2013. EBITDA and EBIT for the first six months of 2013 were HK$941 million and HK$650 million respectively, representing a reduction of 5% and 3% respectively, compared with the same period in 2012. The business growth momentum was affected by fewer number of popular devices being available in the period and transition to a non-subsidised handset business model, as mentioned above.

As of 30 June 2013, we were serving approximately 3.78 million customers in Hong Kong and Macau (30 June 2012: 3.64 million). As of 30 June 2013, 61% (30 June 2012: 55%) of our Hong Kong and Macau 3G and 4G Long-Term-Evolution ("4G LTE") postpaid customers were using smart devices, as the upward migration of existing customers to higher-value services, including 4G LTE plans, continued.

The Group, via our 50% owned joint venture, acquired a block of 10MHz spectrum in the 2500/2600 MHz band during the first half of 2013. This will enable us to increase our network capacity and to provide our customers with continued high quality services.

Looking forward, the financial performance of our mobile business is expected to stablise in subsequent periods with the completion of the transition to a non-subsidised handset business model in the first half of 2013 and the number of customers using higher-value services continues to grow.

Fixed-line business

The fixed-line business exhibited encouraging growth during the first half of 2013. Service revenue for the first half of 2013 was HK$1,927 million, representing an increase of 12% from HK$1,725 million for the first six months of 2012 with growth in all major segments. EBITDA and EBIT for the first half of 2013 were HK$593 million and HK$233 million respectively, an increase of 16% and 28% respectively against the same period in 2012.

In the first half of 2013, our international business extended its overseas coverage and interconnections with operators worldwide. Our corporate and residential businesses, leveraging the strength of our fibre network capability, further strengthened its collaboration with various leading market players.

The fixed-line business is expected to maintain its momentum as it continues to expand its range of service offerings to customers and to provide better customer experiences via speed and service upgrades.

Outlook

The performance of our mobile business for the first half of 2013 was affected by a fewer number of popular handset models being launched in the period and completion of a transition to a non-subsidised handset business model in its customer base. However, the growth in fixed-line business more than covered the shortfall in mobile business during the period and accordingly the integrated business as a whole enjoyed a positive growth. With the transition of our mobile business to a non-subsidised handset business model completed in the first half of 2013 and more handset launches expected later in the year, the business is well positioned for continued sustainable growth. The Group will continue to enhance service offerings for our customers and invest in network projects in a disciplined manner in order to increase returns for our shareholders.

Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and contributions to the Group.

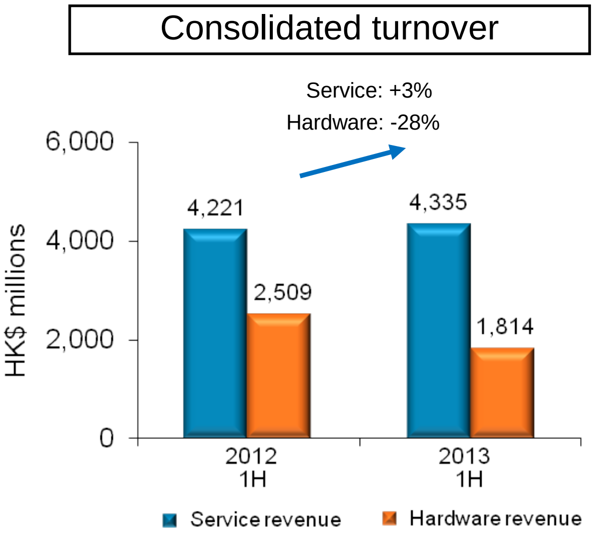
FOK Kin Ning, Canning
Chairman

Hong Kong, 31 July 2013

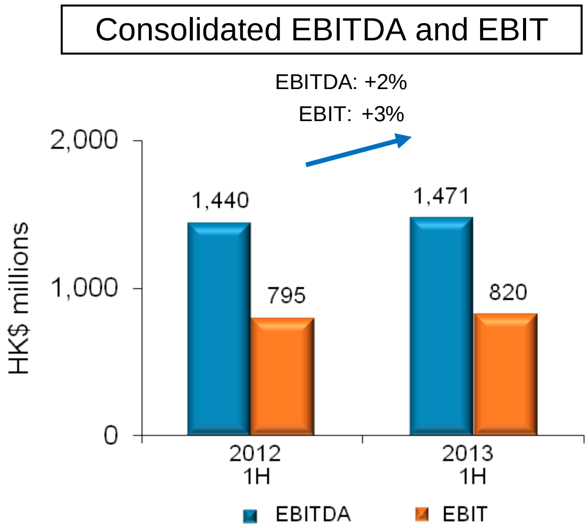
MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Consolidated turnover was HK$6,149 million for the first half of 2013. The 9% decrease in consolidated turnover when compared with the first half of 2012, was mainly the result of a 28% reduction in mobile hardware sales because fewer popular devices became available during the period. The reduction in mobile hardware sales was partially offset by a 3% increase in consolidated service revenue which was mainly the result of better performance in the carrier market of our fixed-line business, which was in turn partially offset by lower mobile service revenue, reflecting the effect of applying a non-subsidised handset business model. Cost of inventories sold declined, as did hardware sales, from HK$2,369 million for the first half of 2012 to HK$1,668 million for the same period in 2013.



Total operating expenses, excluding cost of inventories sold, increased from HK$3,566 million for the first six months of 2012 to HK$3,661 million for the same period in 2013, representing 3% growth, which was mainly the result of inflationary pressure. The 6% increase in staff costs was mainly because of salary increment and an increase in headcount. Customer acquisition costs, including cost of customer retentions, rose by 10% as a result of an increase in retention-related costs for the mobile business. Other operating expenses rose slightly by 2% for the first half of 2013 as a result of stringent cost control.



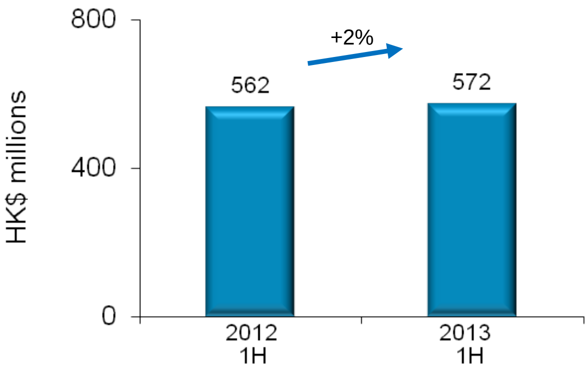
Consolidated EBITDA rose by 2% from HK$1,440 million for the first six months of 2012 to HK$1,471 million for the same period in 2013. Consolidated EBIT grew by 3% from HK$795 million for the first half of 2012 to HK$820 million for the first half of 2013.

Gearing ratio, calculated by dividing net debt by total net capital, was 27% (31 December 2012: 24%) as a result of increased borrowings. Interest and other finance costs rose from HK$77 million for the first half of 2012 to HK$87 million for the same period in 2013 due to the higher level of borrowings together with an increase in market interest rates.

Share of losses, in respect of joint ventures for the first six months of 2013, amounted to HK$4 million compared with HK$2 million for the same period in 2012. Taxation was HK$39 million for the first half of 2013 compared with HK$23 million for the same period in 2012, as a result of better performance of the fixed-line business, while the tax losses in mobile business were not yet fully utilised.

Overall, the profit attributable to shareholders of the Company grew from HK$562 million for the first six months of 2012 to HK$572 million for the corresponding period in 2013.

Profit attributable to shareholders

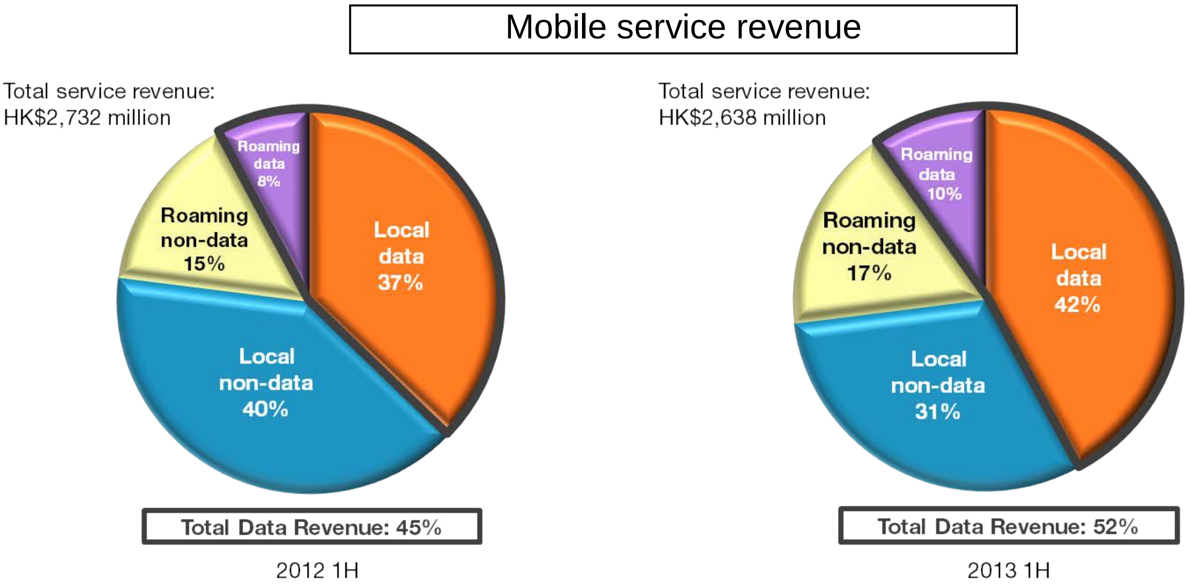


Business review

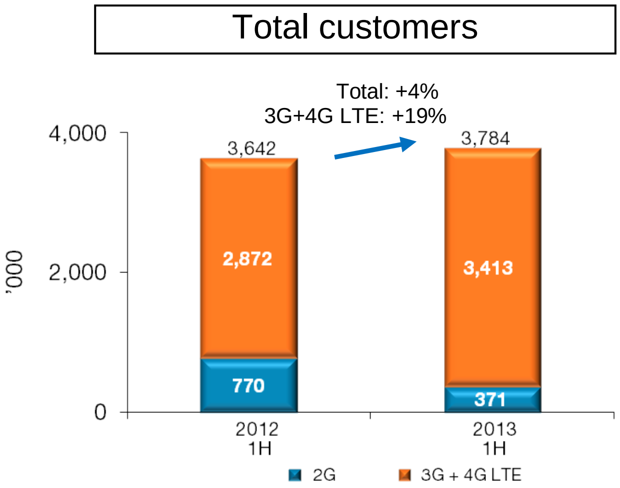
The Group is engaged in two principal businesses – mobile and fixed-line.

Mobile business in Hong Kong and Macau

Turnover for the first six months of 2013 was HK$4,452 million compared with HK$5,241 million for the first half of 2012. This was the result of a 28% reduction in hardware revenue, as well as a shortfall in mobile service revenue under the non-subsidised handset business model[1]. As data communications became more popular, overall data service revenue[2] accounted for 52% of total mobile service revenue for the first half of 2013 compared to 45% for the same period in 2012.



As of 30 June 2013, our Hong Kong and Macau customer base amounted to approximately 3.78 million. Postpaid 3G and 4G LTE customers accounted for 97% of our total postpaid customer base. The number of Hong Kong and Macau postpaid customers totalled approximately 1.99 million as of 30 June 2013.

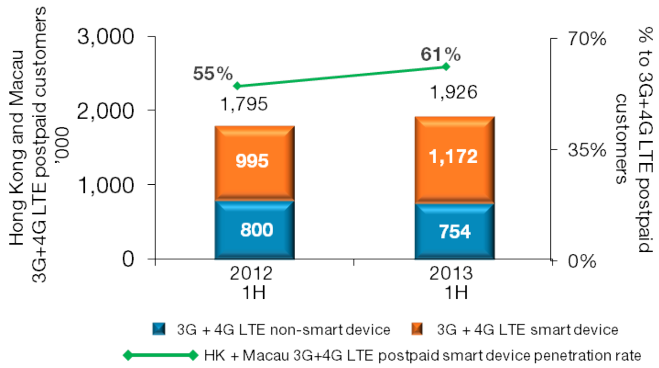


Note 1: Under the non-subsidised handset business model, customer spending includes a portion of customer contribution to handset, or other devices, in a bundled service and hardware plan and such a portion of customer contribution is deducted to arrive at mobile service revenue.

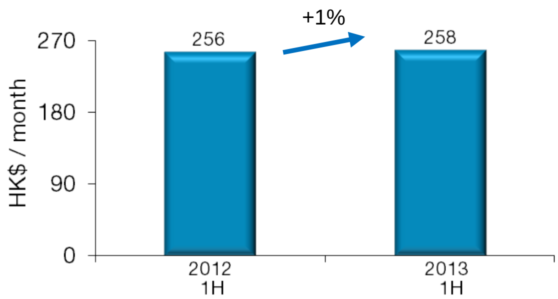
Note 2: Data service revenue is defined as customer payment for internet and data access services, excluding messaging, content and related services.

Adoption of smart devices continued, with smart device penetration of our 3G and 4G LTE postpaid customer base in Hong Kong and Macau increasing to 61% as of 30 June 2013 (30 June 2012: 55%). Blended postpaid gross ARPU[(3)] for the first half of 2013 was HK$258, compared with HK$256 for the same period in 2012. Blended postpaid net ARPU[(3)] for the first half of 2013 was HK$208, compared to HK$213 for the same period in 2012. The reduction in net ARPU for the period was mainly due to the transition to a non-subsidised handset business model as mentioned above.

Smart device penetration



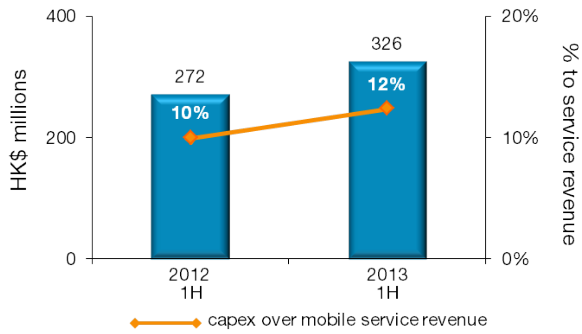
Blended postpaid gross ARPU



Mobile business EBITDA was HK$941 million for the first half of 2013, representing a 5% decrease compared with the first half of 2012, while the corresponding EBIT was HK$650 million for the first half of 2013, representing a 3% decrease compared with that for the same period in 2012.

Capital expenditure on property, plant and equipment for the first six months of 2013 amounted to HK$326 million, and represented 12% of mobile service revenue for the period, while capital expenditure for the first six months of 2012 was HK$272 million, which represented 10% of mobile service revenue for the same period. The increase in capital expenditure was the result of continued network investment.

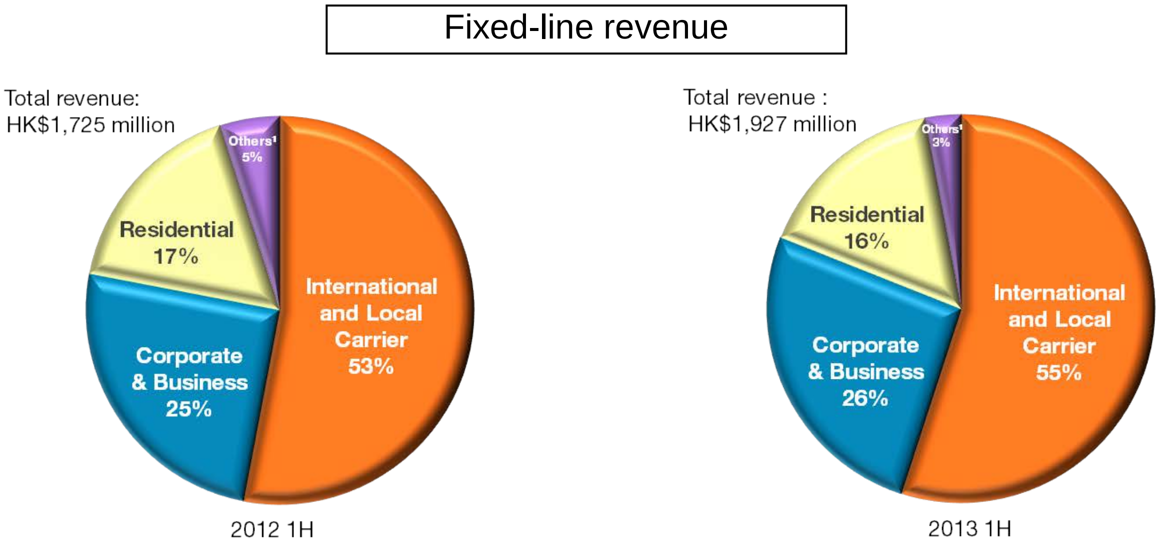
Mobile capex



Note 3: Gross ARPU is defined as monthly average spending per user including a customer's contribution to handset, or other devices, in a bundled service and hardware plan. Net ARPU is defined as monthly average spending per user excluding a customer's contribution to handset, or other devices, in a bundled service and hardware plan.

Fixed-line business

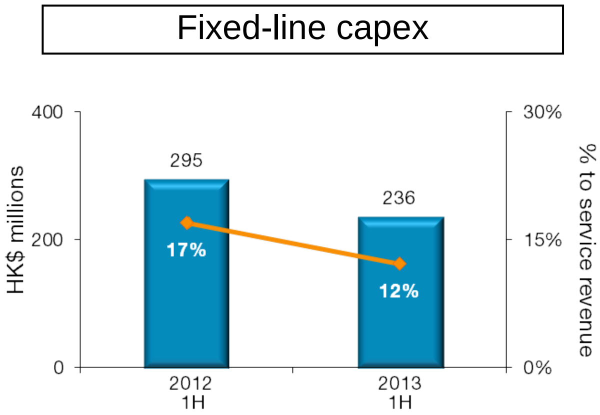
Turnover showed a 12% increase, from HK$1,725 million for the first half of 2012 to HK$1,927 million for the same period in 2013. Our carrier market business benefited from extended global reach and scale of operation, and continued to account for the largest share of total fixed-line revenue. Revenue from the carrier market increased by 17% from HK$909 million for the first half of 2012 to HK$1,059 million for the same period in 2013. Revenue from the corporate and business market increased by 16%, from HK$426 million for the first six months of 2012 to HK$493 million for the same period in 2013, as a result of rising demand for our connectivity solutions. Revenue from the residential market grew from HK$288 million for the first half of 2012 to HK$301 million for the same period in 2013.



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

EBITDA increased by 16% from HK$510 million for the first half of 2012 to HK$593 million for the same period in 2013. EBIT was HK$233 million for the first six months of 2013, representing an increase of 28% compared with HK$182 million for the same period in 2012.

Capital expenditure on property, plant and equipment amounted to HK$236 million for the first half of 2013, representing 12% of fixed-line service revenue, compared with HK$295 million and 17% of fixed-line service revenue respectively, for the same period in 2012.



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Unaudited 2013 HK$ millions	(Restated) Unaudited 2012 HK$ millions
Turnover	4	6,149	6,730
Cost of inventories sold		(1,668)	(2,369)
Staff costs		(373)	(352)
Customer acquisition costs		(364)	(331)
Depreciation and amortisation		(651)	(645)
Other operating expenses		(2,273)	(2,238)
		820	795
Interest income	6	10	5
Interest and other finance costs	6	(87)	(77)
Share of results of joint ventures		(4)	(2)
Profit before taxation		739	721
Taxation	7	(39)	(23)
Profit for the period		700	698
Attributable to:			
Shareholders of the Company		572	562
Non-controlling interests		128	136
		700	698
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	8	11.87	11.66
- diluted	8	11.87	11.66

Details of interim dividend payable to shareholders of the Company are set out in Note 9.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited 2013 HK$ millions	(Restated) Unaudited 2012 HK$ millions
Profit for the period	700	698
Other comprehensive income		
Item that may be reclassified subsequently to income statement in subsequent periods:		
- Currency translation differences	(3)	-
Total comprehensive income for the period, net of tax	697	698
Total comprehensive income attributable to:		
Shareholders of the Company	569	562
Non-controlling interests	128	136
	697	698

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Unaudited 30 June 2013 HK$ millions	Audited 31 December 2012 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		10,327	10,274
Goodwill		4,503	4,503
Other intangible assets		1,620	1,702
Other non-current assets		1,187	1,144
Deferred tax assets		368	368
Investments in joint ventures		620	486
Total non-current assets		18,625	18,477
Current assets			
Cash and cash equivalents	10	249	182
Trade receivables and other current assets	11	2,085	2,040
Inventories		172	201
Total current assets		2,506	2,423
Current liabilities			
Trade and other payables	12	4,395	4,861
Current income tax liabilities		21	13
Total current liabilities		4,416	4,874
Net current liabilities		(1,910)	(2,451)
Total assets less current liabilities		16,715	16,026
Non-current liabilities			
Deferred tax liabilities		307	276
Borrowings		4,307	3,746
Other non-current liabilities		949	913
Total non-current liabilities		5,563	4,935
Net assets		11,152	11,091
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		9,698	9,757
Total shareholders' funds		10,903	10,962
Non-controlling interests		249	129
Total equity		11,152	11,091

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited								
	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	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
As at 1 January 2013, previously reported	1,205	11,185	(1,311)	1	(135)	17	10,962	129	11,091
Effect of change in accounting policy (Note 3)	-	-	(87)	-	87	-	-	-	-
As at 1 January 2013, restated	1,205	11,185	(1,398)	1	(48)	17	10,962	129	11,091
Profit for the period	-	-	572	-	-	-	572	128	700
Other comprehensive income Currency translation difference	-	-	-	(3)	-	-	(3)	-	(3)
Total comprehensive income, net of tax	-	-	572	(3)	-	-	569	128	697
Dividend relating to 2012 paid in 2013 (Note 9)	-	-	(628)	-	-	-	(628)	-	(628)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(8)	(8)
As at 30 June 2013	1,205	11,185	(1,454)	(2)	(48)	17	10,903	249	11,152

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited								
	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	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
As at 1 January 2012, previously reported	1,205	11,184	(1,730)	-	(92)	17	10,584	(171)	10,413
Effect of change in accounting policy (Note 3)	-	-	(75)	-	75	-	-	-	-
As at 1 January 2012, restated	1,205	11,184	(1,805)	-	(17)	17	10,584	(171)	10,413
Profit for the period and total comprehensive income, net of tax, restated	-	-	562	-	-	-	562	136	698
Dividend relating to 2011 paid in 2012 (Note 9)	-	-	(516)	-	-	-	(516)	-	(516)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	1	-	1
As at 30 June 2012, restated	1,205	11,185	(1,759)	-	(17)	17	10,631	(35)	10,596

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Unaudited 2013 HK$ millions	Unaudited 2012 HK$ millions
Cash flows from operating activities			
Cash generated from operations		947	1,434
Interest and other finance costs paid		(47)	(31)
Net cash generated from operating activities		900	1,403
Cash flows from investing activities			
Purchases of property, plant and equipment		(557)	(566)
Additions to other non-current assets		(17)	-
Additions to other intangible assets		-	(150)
Proceeds from disposals of property, plant and equipment		4	3
Payment relating to investments in joint ventures		(177)	(37)
Net cash used in investing activities		(747)	(750)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		-	1
Proceeds from borrowings		1,360	4,772
Repayment of borrowings		(810)	(4,860)
Dividend paid to the shareholders of the Company	9	(628)	(516)
Dividend paid to non-controlling interests		(8)	(8)
Net cash used in financing activities		(86)	(611)
Increase in cash and cash equivalents		67	42
Cash and cash equivalents as at 1 January		182	182
Cash and cash equivalents as at 30 June		249	224

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.

The unaudited condensed consolidated interim financial report (the "interim financial report") has been approved for issuance by the Board of Directors on 31 July 2013.

2 Basis of preparation

The interim financial report for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting". The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

As at 30 June 2013, the current liabilities of the Group exceeded its current assets by approximately HK$1,910 million. Included in the current liabilities were non-refundable customer prepayments of HK$938 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the net current liabilities of the Group would have been approximately HK$972 million. A revolving and term credit facility of HK$5,500 million from a group of international commercial banks is in place and is available to the Group until 14 June 2015. As at 30 June 2013, the undrawn facility amounted to HK$1,193 million which, together with the cash flows generated from operating activities, would be sufficient to enable the Group to meet its obligations as and when they fall due. Accordingly, the interim financial report has been prepared on a going concern basis.

3 Significant accounting policies

The accounting policies applied and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised standards, amendments and interpretations issued by the International Accounting Standards Board that are relevant to the operations of the Group and mandatory for annual accounting periods beginning 1 January 2013.

Except as described below, the adoption of these new and revised standards, amendments and interpretations does not have an impact on the accounting policies of the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in the notes to the interim financial report.

3 Significant accounting policies (Continued)

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

IAS 19 (Revised 2011) Employee Benefits

IAS 19 (Revised 2011) includes a number of amendments to the accounting for defined benefit plans, including expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. IAS 19 (Revised 2011) requires retrospective application. The adoption of IAS 19 (Revised 2011) had an impact on the net defined benefit obligations primarily due to the difference in accounting for interest on plan assets. The effect of the adoption of IAS 19 (Revised 2011) is explained below:

	Six months ended 30 June	
	2013 HK$ millions	2012 HK$ millions
Increase in staff costs	(7)	(6)
Decrease in profit attributable to shareholders of the Company	(7)	(6)
Decrease in earnings per share attributable to shareholders of the Company (expressed in HK cents per share):		
- basic	(0.15)	(0.13)
- diluted	(0.15)	(0.13)

	As at 1 January 2013 HK$ millions	As at 1 January 2012 HK$ millions
Increase in accumulated losses	(87)	(75)
Increase in pension reserve	87	75

4 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:

	Six months ended 30 June 2013 HK$ millions	2012 HK$ millions
Mobile telecommunications services	2,637	2,730
Fixed-line telecommunications services	1,698	1,491
Telecommunications hardware	1,814	2,509
	6,149	6,730

5 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. "Others" segment represents corporate support functions. 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) and EBIT/(LBIT) agreed to the aggregate information in the interim financial report. As such, no reconciliation between the segment information and the aggregate information in the interim financial report is presented.

	Six months ended 30 June 2013				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover - service	2,638	1,927	-	(230)	4,335
Turnover - hardware	1,814	-	-	-	1,814
	4,452	1,927	-	(230)	6,149
Operating costs	(3,511)	(1,334)	(63)	230	(4,678)
EBITDA/(LBITDA)	941	593	(63)	-	1,471
Depreciation and amortisation	(291)	(360)	-	-	(651)
EBIT/(LBIT)	650	233	(63)	-	820
Other information:					
Additions to property, plant and equipment	326	236	-	-	562
Additions to other intangible assets	2	-	-	-	2

5 Segment information (Continued)

	Six months ended 30 June 2012 (Restated)				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover - service	2,732	1,725	-	(236)	4,221
Turnover - hardware	2,509	-	-	-	2,509
	5,241	1,725	-	(236)	6,730
Operating costs	(4,255)	(1,215)	(56)	236	(5,290)
EBITDA/(LBITDA)	986	510	(56)	-	1,440
Depreciation and amortisation	(317)	(328)	-	-	(645)
EBIT/(LBIT)	669	182	(56)	-	795
Other information:					
Additions to property, plant and equipment	272	295	-	-	567
Additions to other intangible assets	151	-	-	-	151

(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 joint ventures.

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

6 Interest and other finance costs, net

	Six months ended 30 June 2013 HK$ millions	2012 HK$ millions
Interest income:		
Interest income from joint ventures	10	5
Interest and other finance costs:		
Bank loans repayable within 5 years	(38)	(25)
Notional non-cash interest accretion [(a)]	(34)	(38)
Guarantee and other finance fees	(20)	(16)
	(92)	(79)
Less: Amounts capitalised on qualifying assets	5	2
	(87)	(77)
Interest and other finance costs, net	(77)	(72)

(a) Notional non-cash interest accretion represents the notional adjustments to accrete the carrying amount of certain obligations recognised in the condensed 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.

7 Taxation

	Six months ended 30 June					
	2013			2012		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	30	30	-	21	21
Outside Hong Kong	8	1	9	2	-	2
	8	31	39	2	21	23

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2012: 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.

8 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$572 million (30 June 2012: HK$562 million) and on the weighted average number of 4,818,896,208 (30 June 2012: 4,818,241,922) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2013 is calculated by adjusting the weighted average number of 4,818,896,208 (30 June 2012: 4,818,241,922) ordinary shares in issue with the weighted average number of 148,187 (30 June 2012: 598,512) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

	Six months ended 30 June	
	2013	2012
	HK$ millions	HK$ millions
Interim dividend (HK$ millions)	301	292
Interim dividend per share (HK cents)	6.25	6.05

In addition, final dividend in respect of year 2012 of 13.03 HK cents per share (30 June 2012: 10.70 HK cents per share in respect of year 2011) totalling HK$628 million (30 June 2012: HK$516 million) was approved and paid during the six months ended 30 June 2013.

10 Cash and cash equivalents

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Cash at banks and in hand	101	87
Short-term bank deposits	148	95
	249	182

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

11 Trade receivables and other current assets

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Trade receivables	1,977	1,927
Less: Provision for doubtful debts	(221)	(202)
Trade receivables, net of provision [(a)]	1,756	1,725
Other receivables	142	104
Prepayments and deposits	187	211
	2,085	2,040

The carrying values of trade receivables and other receivables approximate their fair values. The Group has established credit policies for customers. The average credit period granted for trade receivables ranges from 14 to 45 days, or a longer period for carrier or corporate customers based on individual commercial terms. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

(a) Trade receivables, net of provision

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	1,060	1,133
31 - 60 days	273	245
61 - 90 days	153	97
Over 90 days	270	250
	1,756	1,725

12 Trade and other payables

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
Trade payables [(a)]	809	870
Other payables and accruals	2,477	2,880
Deferred revenue	938	947
Current portion of licence fees liabilities	171	164
	4,395	4,861

The carrying values of trade and other payables approximate their fair values.

(a) Trade payables

	As at 30 June 2013 HK$ millions	As at 31 December 2012 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	319	404
31 - 60 days	251	76
61 - 90 days	58	67
Over 90 days	181	323
	809	870

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 or 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. As at 30 June 2013, the Group recorded share capital of HK$1,205 million and total equity of HK$11,152 million.

The cash and cash equivalents amounted to HK$249 million as at 30 June 2013 (31 December 2012: HK$182 million), 67% of which were denominated in Hong Kong dollars, 10% in United States dollars with remaining in various other currencies. As at 30 June 2013, the Group had bank borrowings of HK$4,307 million (31 December 2012: HK$3,746 million) which were denominated in Hong Kong dollars and repayable in June 2015. The gearing ratio, calculated by dividing net debt by net total capital, was 27% (31 December 2012: 24%) as at 30 June 2013 as a result of increased borrowings.

Cash Flows

The Group maintains a healthy financial position, benefiting from solid operating cash inflows. During the six months ended 30 June 2013, net cash generated from operating activities and used in investing activities of the Group amounted to HK$900 million (30 June 2012: HK$1,403 million) and HK$747 million (30 June 2012: HK$750 million) respectively. Major net outflow of funds during the period under review included payments for capital expenditure and other non-current assets, investments in joint ventures and final dividend for the year 2012.

Charges on Group Assets

As at 30 June 2013, same as prior period, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture 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 first six months of 2013 was HK$562 million (30 June 2012: HK$567 million), of which mobile and fixed-line businesses accounted for HK$326 million (30 June 2012: HK$272 million) and HK$236 million (30 June 2012: HK$295 million) respectively, reflecting our continued investment in network modernisation and expansion to support long-term business growth.

Acquisition of Radio Spectrum

During the period under review, a joint venture that the Group has 50% interest, acquired a block of 10MHz spectrum in the 2500/2600MHz band with a consideration of HK$290 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

Contingent Liabilities

As at 30 June 2013, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$871 million (31 December 2012: HK$847 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 30 June 2013, the Group had total capital commitments of property, plant and equipment and investments in joint ventures amounting to HK$1,773 million (31 December 2012: HK$2,051 million).

Corporate Strategy

The strategy of the Group 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 30 June 2013, the Group employed 1,907 full-time staff members. Staff costs during the six months ended 30 June 2013, including directors' emoluments, totalled HK$373 million (30 June 2012: HK$352 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 and 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, while 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 Report

The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2013 have been reviewed by the auditor of the Company, 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 the International Auditing and Assurance Standards Board. The independent review report of the auditor will be included in the Interim Report to shareholders. The unaudited condensed consolidated financial report of the Group for the six months ended 30 June 2013 has also been reviewed by the Audit Committee of the Company.

Record Date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Tuesday, 27 August 2013.

In order to qualify for the entitlement to the interim dividend payable on Thursday, 5 September 2013, 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, 27 August 2013.

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

During the six months ended 30 June 2013, 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 period.

Compliance with the 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 Company has been compliant throughout the six months ended 30 June 2013 with all the code provisions of the Corporate Governance Code, other than those in respect of the nomination committee. 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 Directors, including the Chairman of the Board and the Chief Executive Officer & Group Managing Director.

Compliance with the Model Code for Securities Transactions by Directors of the Company

The Board has adopted its own Model Code for Securities Transactions by Directors (the “Securities Code”) on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange as the code of conduct of the Group regarding securities transactions of Directors. In response to specific enquiries made, all Directors of the Company confirmed that they have complied with the Securities Code in their securities transactions throughout the period from 1 January 2013 to 30 June 2013.

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)
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna