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**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 2012

HIGHLIGHTS

- Consolidated turnover grew 12% to HK\$6,730 million driven by strong growth in smartphone sales and data communication.
- Turnover of mobile business was HK\$5,241 million, of which service revenue amounted to HK\$2,732 million. EBITDA was HK\$992 million.
- Turnover of fixed-line business was HK\$1,725 million and EBITDA was HK\$510 million.
- Profit attributable to shareholders of the Company increased by 15% to HK\$568 million.
- Earnings per share rose by 15% to 11.79 HK cents.
- Interim dividend per share is 6.05 HK cents, a growth of 17%.



CHAIRMAN'S STATEMENT

I am pleased to report the financial results of Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the six months ended 30 June 2012. Ongoing smartphone trend momentum, as well as ever-increasing data usage, continued to drive growth and have enabled us to deliver strong results for the period under review.

Results

Consolidated turnover for the first six months rose by 12%, from HK\$6,018 million in 2011 to HK\$6,730 million in 2012. EBITDA increased by 16%, from HK\$1,243 million for the first half of 2011 to HK\$1,446 million for the same period in 2012. Operating profit grew 17%, from HK\$682 million for the first half of 2011 to HK\$801 million for the same period in 2012. Profit for the six months ended 30 June 2012 amounted to HK\$704 million, reflecting a 17% increase, from HK\$600 million for the same period in 2011. Profit attributable to shareholders of the Company grew 15%, from HK\$494 million for the first six months of 2011 to HK\$568 million for the corresponding period in 2012. Basic earnings per share for the first half of 2012 was 11.79 HK cents, a 15% increase compared to 10.25 HK cents for the same period in 2011.

Dividends

The board of Directors (the "Board") declares payment of an interim dividend for the first half of 2012 of 6.05 HK cents (30 June 2011: 5.16 HK cents) per share, or HK\$292 million (30 June 2011: HK\$249 million) in total, payable on Thursday, 6 September 2012 to those persons registered as shareholders of the Company on Wednesday, 5 September 2012. The register of members will be closed from Wednesday, 29 August 2012 to Wednesday, 5 September 2012, both days inclusive. The Board envisages a full-year dividend amounting to 75% of annual profit attributable to shareholders of the Company.

Business review

Mobile business – Hong Kong and Macau

Our mobile business continued to demonstrate solid growth. Turnover for the first half of 2012 increased by 15% to HK\$5,241 million, driven by persistent demand for a variety of best-selling smart devices and keen customer interest in our evolving data services. EBITDA and operating profit for the first half of 2012 showed growth of 28% and 26% respectively, amounting to HK\$992 million and HK\$675 million respectively, mainly driven by strong revenue growth and cautious cost management.

As of 30 June 2012, we served 3.64 million customers in Hong Kong and Macau (30 June 2011: 3.35 million), of which postpaid customers amounted to 1.99 million. 58% (30 June 2011: 49%) of such 3G and 4G postpaid customers in Hong Kong were using smart devices as of 30 June 2012. Introduction of smart devices, with enhanced functionality and ever-improving design strengths, is helping to drive our mobile business. We see escalating numbers of customers deploying more advanced models, thereby contributing to stronger hardware sales. Meanwhile, increasingly more customers are opting for tariff plans bundled with data services, which is boosting revenue growth. Postpaid ARPU rose by 8% to HK\$256 for the first half of 2012, from HK\$238 for the same period in 2011.

The period under review marked the launch of our 4G service, which is set to deliver an unparalleled customer experience and enable customers to make the most of this high-speed technology. In a move to differentiate our services, we offered an array of distinctive value-added services and applications. Coupled with our attractive tariff plans, this milestone development undoubtedly enriches our service portfolio, allowing us to satisfy the most sophisticated mobile customers.

We recognise the importance of network capacity to sustain growth momentum in the mobile telecommunications business. In February 2012, we acquired a block of 30MHz TDD-LTE spectrum in the 2.3GHz band, strengthening our position as the mobile operator holding the largest amount of available radio spectrum in Hong Kong. This underscores our determination to achieve network excellence, as well as our ability to keep up with ever-increasing volume of network traffic in the era of mobile data.

Fixed-line business

Turnover from our fixed-line business for the first half of 2012 was HK\$1,725 million, representing a 4% increase compared to the same period in 2011. In response to cautious customer spending in a volatile market, we stepped up investment in customer acquisition and retention. As a result, EBITDA and operating profit for the first half of 2012 decreased by 2% and 8% respectively, and amounted to HK\$510 million and HK\$182 million.

The period under review saw implementation of a number of initiatives in our various segments. For example, our international carrier business launched a world-class interconnection platform in partnership with global exchange organisations. This enhances our profile among international operators and enables local customers to connect to the rest of the world with ease via our carrier-grade platform.

We also joined forces with leading technology partners to offer a series of cloud-based business services. From the provision of affordable SME service packages to tailor-made industry-specific solutions, our cloud computing portfolio is able to meet the differing needs of our many corporate customers. Our state-of-the-art data centre facilities and deepening partnerships with prominent ICT service providers strengthen the leadership position we have achieved in the emerging cloud computing market.

Investment in residential market customer acquisition is showing results; we are gaining ground as our customer base expands. This has been helped by launch of a brand new home broadband package featuring an Android TV Box, with the aim of providing households with an unrivalled online experience. Combining high-speed broadband service, leveraging our extensive fibre-optic network with a wide range of exclusive multimedia content, our exciting offers redefine the overall home broadband experience. It further demonstrates our unwavering determination to deliver increasingly sophisticated value-added services to our customers.

Outlook

Volatile market conditions are creating challenges. However, this will by no means undermine our ability to deliver value to our shareholders. Looking ahead, we view internal upward migration in particular from non-smartphone base to smartphone base as the key to nurturing higher growth in mobile business. With a succession of appealing smart device models and mobile applications exploding onto the market, we expect smartphone adoption to continue in the foreseeable future. In addition, this trend will stimulate demand for high-performance network and desire for greater data service offerings. Our new 4G service is currently available in most of the major areas in Hong Kong and we target to match the scale and scope with our 3G network coverage by the end of 2012.

We see further growth potential in our fixed-line business, despite the competitive nature of the landscape in which we operate. Our international carrier business continues to grow in step with our expanding overseas coverage and enhanced scale of interconnection with operators worldwide. Following mass launch of 4G service in Hong Kong, we expect even greater demand for mobile backhaul services from our local carrier customers.

In addition, a growing need for cloud computing and data centre services is creating a fertile new business market. Our extensive and well established fibre network and world-class data centre facilities position us extremely well to serve both international and local organisations. We have also strengthened ties with IT industry leaders in order to build innovative solutions that suit a variety of market needs. Meanwhile, competition in the residential market shows signs of easing. We have been able to increase tariff pricing of our various service offerings while remaining competitive. We expect this positive trend to continue under such operating environment.

Our robust revenue stream, strong presence in a variety of markets and customer-oriented service offerings form the cornerstones of our business. We are, therefore, in a strategically-advantageous position to capitalise on the opportunities that lie ahead.

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

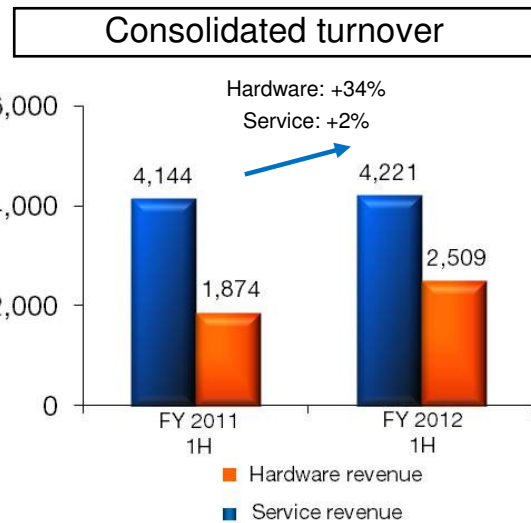
FOK Kin Ning, Canning
Chairman

Hong Kong, 1 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

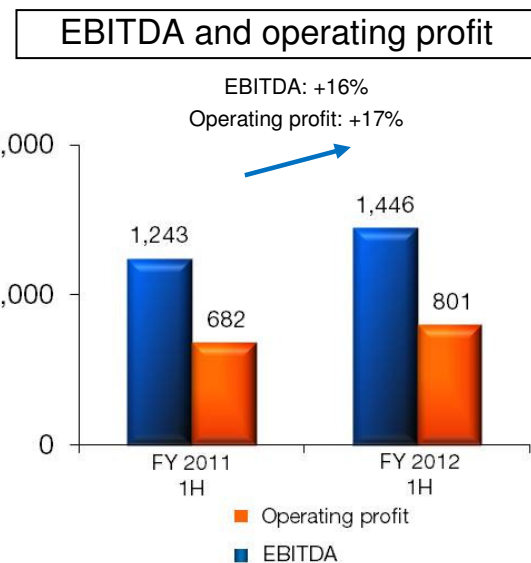
Consolidated turnover of the Group increased by 12% from HK\$6,018 million for the first half of 2011 to HK\$6,730 million for the same period in 2012. Service revenue grew from HK\$4,144 million for the first half of 2011 to HK\$4,221 million for the corresponding period in 2012. Service revenue grew from HK\$4,144 million for the first half of 2011 to HK\$4,221 million for the corresponding period in 2012. Persistent demand for smart devices continued to boost hardware revenue, which increased by 34% from HK\$1,874 million for the first six months of 2011 to HK\$2,509 million for the first half of 2012.



FY – Financial Year

Total operating expenses, including cost of inventories sold, increased from HK\$5,336 million for the first half of 2011 to HK\$5,929 million for the same period in 2012. Cost of inventories sold grew in line with increased hardware sales and rose by 32% from HK\$1,792 million for the first half of 2011 to HK\$2,369 million for the same period in 2012. Staff costs increased by 13% to HK\$346 million for the first half of 2012 from HK\$307 million for the same period in 2011, as a result of an increase in the size of our customer sales and network functions plus inflation. Customer acquisition costs fell from HK\$569 million for the first half of 2011 to HK\$331 million in 2012, as we brought sharper focus to bear on internal upward migration in our mobile business which helps to better control customer acquisition costs. Depreciation and amortisation was HK\$645 million for the first half of 2012, after standing at HK\$561 million for the same period in 2011. The increase was the result of amortisation of additional spectrum acquired. Other operating expenses amounted to HK\$2,238 million in the first half of 2012, a 6% increase compared to HK\$2,107 million in 2011 due to general inflation.

EBITDA rose by 16% from HK\$1,243 million for the first six months of 2011 to HK\$1,446 million for the same period in 2012, while operating profit grew from HK\$682 million for the first half of 2011 to HK\$801 million for the same period in 2012, representing an increase of 17%.

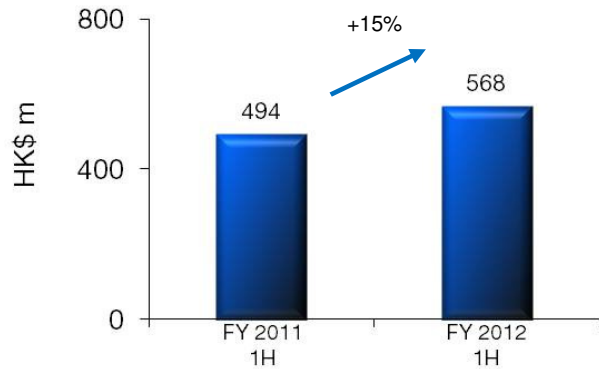


Gearing ratio, calculated by dividing net debt by total equity, was 33%. Interest and other finance costs increased from HK\$57 million for the first half of 2011 to HK\$77 million for the corresponding period in 2012. During the six months ended 30 June 2012, the Group completed a refinancing of its 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.

Share of losses of jointly controlled entities for the first half of 2012 amounted to HK\$2 million, compared to share of profits of HK\$1 million for the same period in 2011. Taxation was HK\$28 million for the first half of 2011 while that was HK\$23 million for the same period in 2012.

Overall, the Group reported growth of 15% in net profit attributable to shareholders of the Company, from HK\$494 million for the first six months of 2011 to HK\$568 million for the same period in 2012.

Profit attributable to shareholders



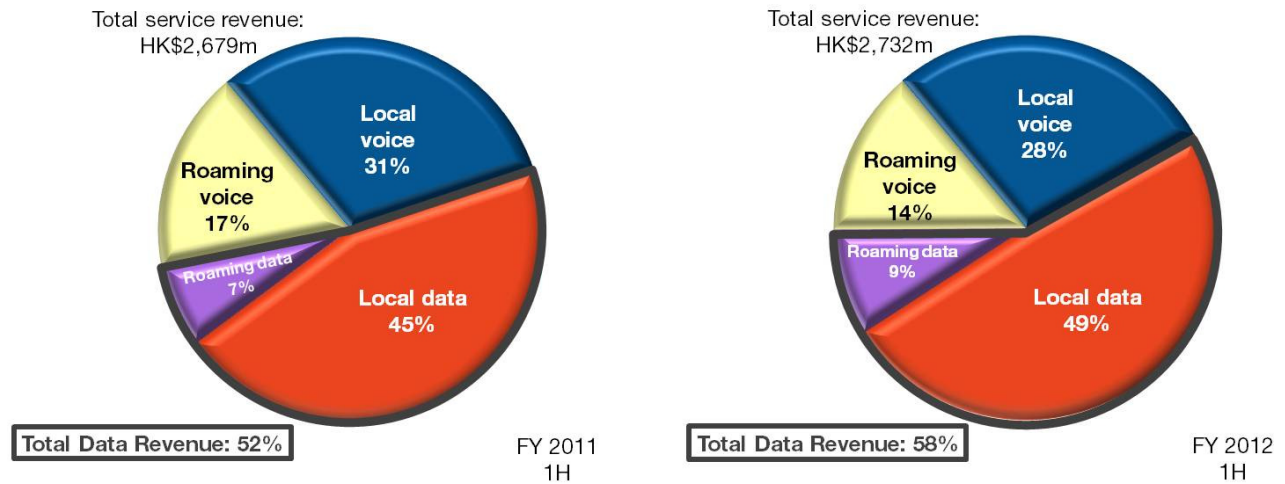
Business Review

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

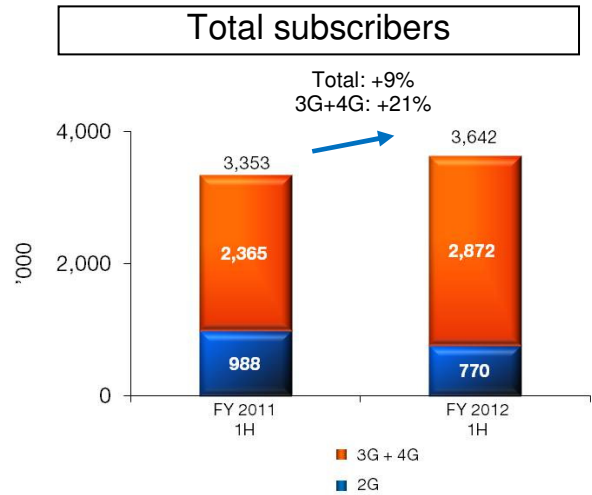
Mobile business in Hong Kong and Macau

Our mobile telecommunications business continued to grow healthily for the first half of 2012. Keen interest in smart devices, together with greater demand for data services, resulted in a 15% increase in mobile turnover from HK\$4,553 million for the first six months of 2011 to HK\$5,241 million for the same period in 2012. Service revenue grew from HK\$2,679 million for the first half of 2011 to HK\$2,732 million for the same period in 2012. Local and roaming data revenue accounted for 58% of mobile service revenue for the period under review in 2012.

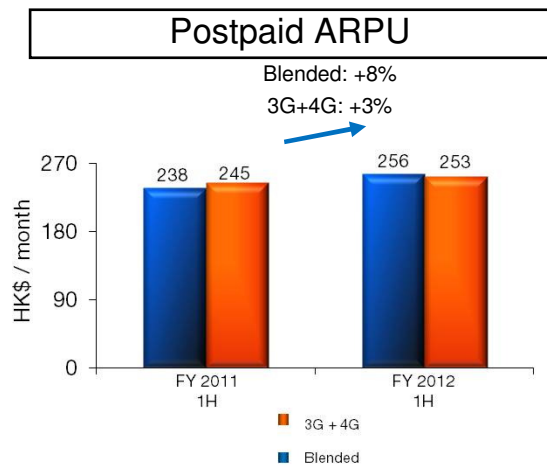
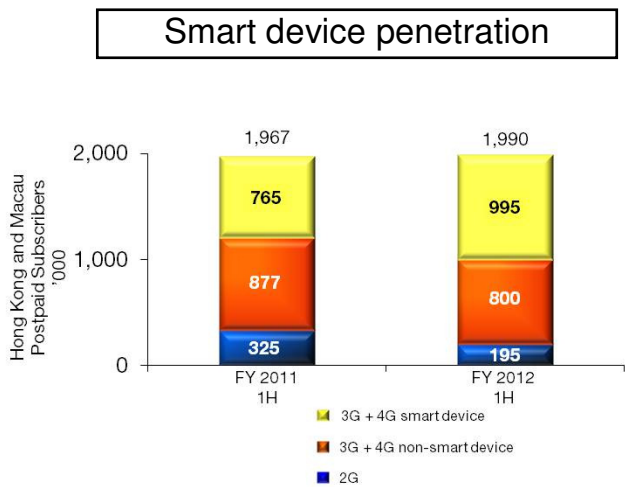
Mobile service revenue



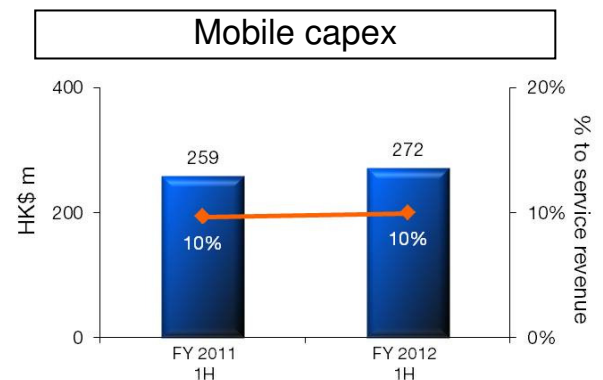
As of 30 June 2012, our Hong Kong and Macau customers totalled 3.64 million. In particular, our 3G and 4G customer numbers were 2.87 million, together accounted for approximately 79% of the customer base. The total number of Hong Kong and Macau postpaid customers stood at 1.99 million as of 30 June 2012.



Penetration of the smart device continued to deepen, thanks to our provision of a full lineup of smartphones and tablets. As of 30 June 2012, 58% of our 3G and 4G postpaid customers in Hong Kong were smart device users. Internal upward migration from non-smartphone to smartphones, coupled with customer-oriented tariff packages, encouraged greater use of data and other mobile services. This, in turn, translated into steady ARPU growth. Blended postpaid ARPU for the first half of 2012 stood at HK\$256, representing an increase of 8% from HK\$238 for the same period in 2011. Meanwhile, 3G and 4G blended postpaid ARPU rose from HK\$245 for the first half of 2011 to HK\$253 for the same period in 2012.



Driven by growing turnover from hardware sales and data services, as well as cautious cost control, EBITDA increased by 28% from HK\$778 million in the first half of 2011 to HK\$992 million for the same period in 2012. Operating profit also reported an increase of 26% from HK\$537 million for the first six months of 2011 to HK\$675 million for the same period in 2012.

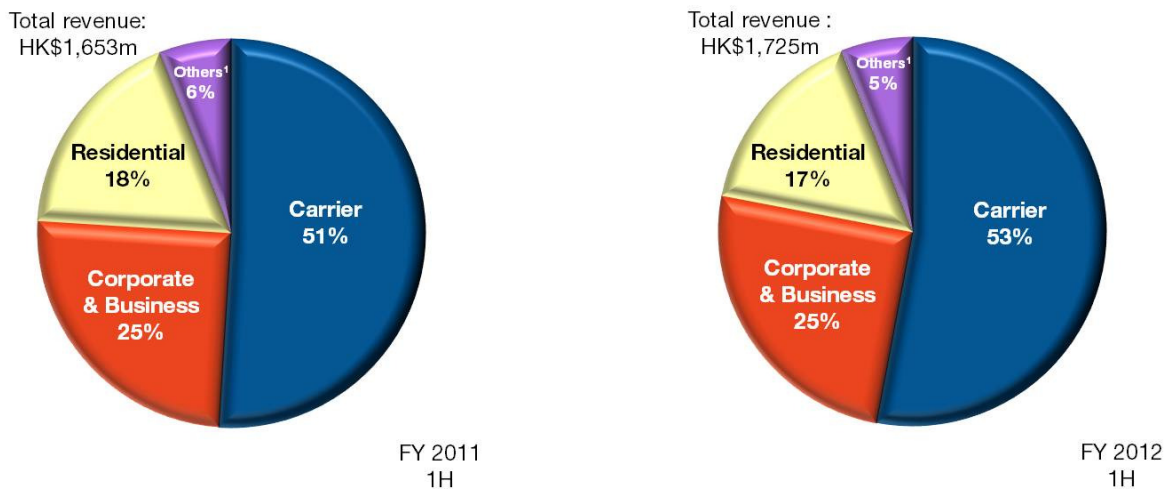


Capital expenditure amounted to HK\$272 million for the first half of 2012, while capital expenditure to service revenue stood at 10%.

Fixed-line business

Turnover saw an increase of 4% from HK\$1,653 million for the first six months of 2011 to HK\$1,725 million for the same period in 2012. The carrier market continued to be the largest revenue source, showing growth of 8% from HK\$845 million in the first half of 2011 to HK\$909 million for the same period in 2012. Revenue from the corporate and business market was HK\$426 million for the first half of 2012, compared to HK\$413 million for the same period in 2011. We see a steadily growing customer base in the residential market, however, intense price competition put pressure on revenue which resulted at HK\$288 million for the first half of 2012, compared to HK\$296 million for the same period in 2011.

Fixed-line revenue

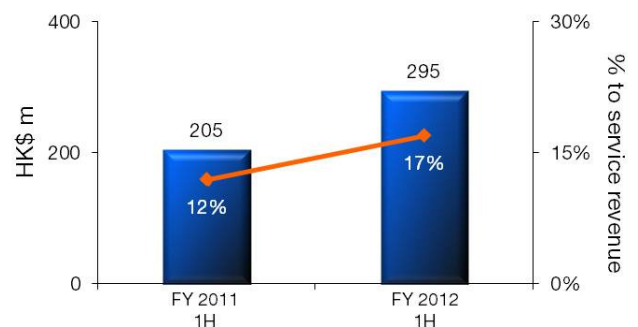


¹ Others include revenue from interconnection charges and data centres.

Keen competition in the residential market, as well as increased investment in customer acquisition and retention, resulted in a decrease in EBITDA of 2%, from HK\$519 million for the first half of 2011 to HK\$510 million for the same period in 2012. Operating profit amounted to HK\$182 million for the first half of 2012, compared to HK\$198 million for the same period in 2011.

Capital expenditure was HK\$295 million for the first half of 2012 while capital expenditure to revenue increased to 17%.

Fixed-line capex



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Unaudited	
		2012 HK\$ millions	2011 HK\$ millions
Turnover	4	6,730	6,018
Cost of inventories sold		(2,369)	(1,792)
Staff costs		(346)	(307)
Customer acquisition costs		(331)	(569)
Depreciation and amortisation		(645)	(561)
Other operating expenses		(2,238)	(2,107)
Operating profit		801	682
Interest income	6	5	2
Interest and other finance costs	6	(77)	(57)
Share of results of jointly controlled entities		(2)	1
Profit before taxation		727	628
Taxation	7	(23)	(28)
Profit for the period		704	600
Attributable to:			
Shareholders of the Company		568	494
Non-controlling interests		136	106
		704	600
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	8	11.79	10.25
- diluted	8	11.79	10.25

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 2012

	Unaudited	
	2012	2011
	HK\$ millions	HK\$ millions
Profit for the period	704	600
Other comprehensive income recognised directly in equity		
Currency translation differences	-	1
Total comprehensive income for the period, net of tax	<u>704</u>	<u>601</u>
Total comprehensive income attributable to:		
Shareholders of the Company	568	495
Non-controlling interests	136	106
	<u>704</u>	<u>601</u>



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Unaudited 30 June 2012 HK\$ millions	Audited 31 December 2011 HK\$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		9,742	9,690
Goodwill		4,503	4,503
Other intangible assets		1,785	1,718
Other non-current assets		1,168	1,207
Deferred tax assets		368	368
Investments in jointly controlled entities		366	332
Total non-current assets		<u>17,932</u>	<u>17,818</u>
Current assets			
Cash and cash equivalents	10	224	182
Trade receivables and other current assets	11	1,670	1,787
Inventories		315	299
Total current assets		<u>2,209</u>	<u>2,268</u>
Current liabilities			
Trade and other payables	12	4,501	4,615
Borrowings		-	3,853
Current income tax liabilities		12	10
Total current liabilities		<u>4,513</u>	<u>8,478</u>
Net current liabilities		<u>(2,304)</u>	<u>(6,210)</u>
Total assets less current liabilities		<u>15,628</u>	<u>11,608</u>
Non-current liabilities			
Deferred tax liabilities		252	231
Borrowings		3,775	-
Other non-current liabilities		999	964
Total non-current liabilities		<u>5,026</u>	<u>1,195</u>
Net assets		<u>10,602</u>	<u>10,413</u>
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		9,432	9,379
Total shareholders' funds		<u>10,637</u>	<u>10,584</u>
Non-controlling interests		(35)	(171)
Total equity		<u>10,602</u>	<u>10,413</u>



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	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	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 period and total comprehensive income	-	-	568	-	-	-	-	568	136	704
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	<u>1,205</u>	<u>11,185</u>	<u>(1,678)</u>	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>17</u>	<u>10,637</u>	<u>(35)</u>	<u>10,602</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	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	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 period	-	-	494	-	-	-	-	494	106	600
Other comprehensive income										
Currency translation differences	-	-	-	1	-	-	-	1	-	1
Total comprehensive income	-	-	494	1	-	-	-	495	106	601
Dividend relating to 2010 paid in 2011 (Note 9)	-	-	(329)	-	-	-	-	(329)	-	(329)
Employee share option scheme - proceeds from shares issued	1	2	-	-	-	(1)	-	2	-	2
As at 30 June 2011	<u>1,205</u>	<u>11,184</u>	<u>(2,007)</u>	<u>2</u>	<u>(27)</u>	<u>-</u>	<u>17</u>	<u>10,374</u>	<u>(298)</u>	<u>10,076</u>

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Unaudited	
		2012	2011
		HK\$ millions	HK\$ millions
Cash flows from operating activities			
Cash generated from operations		1,434	1,606
Interest and other finance costs paid		(31)	(28)
Net cash generated from operating activities		<u>1,403</u>	<u>1,578</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(566)	(463)
Additions to other non-current assets		-	(54)
Additions to other intangible assets		(150)	(1,077)
Proceeds from disposals of property, plant and equipment		3	52
Payment relating to investments in jointly controlled entities		(37)	(29)
Net cash used in investing activities		<u>(750)</u>	<u>(1,571)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		1	2
Proceeds from borrowings		4,772	1,280
Repayment of borrowings		(4,860)	(920)
Dividend paid to the shareholders of the Company	9	(516)	(329)
Dividend paid to non-controlling interests		(8)	-
Net cash (used in)/generated from financing activities		<u>(611)</u>	<u>33</u>
Increase in cash and cash equivalents		42	40
Cash and cash equivalents as at 1 January		182	180
Cash and cash equivalents as at 30 June		<u>224</u>	<u>220</u>

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 Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (together the “Group”) are 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 1 August 2012.

2 Basis of preparation

The interim financial report for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with International Financial Reporting Standards.

As at 30 June 2012, the current liabilities of the Group exceeded its current assets by approximately HK\$2,304 million. Included in the current liabilities were non-refundable customer prepayments of HK\$876 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. 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 30 June 2012, the undrawn revolving and term credit facility amounted to approximately HK\$1,725 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, the interim financial report has been prepared on a going concern basis.

3 Significant accounting policies

The interim financial report has been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in 2011 annual financial statements, except for the adoption of new or revised standards, amendments and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2012. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group.

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	
	2012	2011
	HK\$ millions	HK\$ millions
Mobile telecommunications services	2,730	2,676
Fixed-line telecommunications services	1,491	1,468
Telecommunications hardware	2,509	1,874
	<u>6,730</u>	<u>6,018</u>

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 operating profit. The segment information on turnover and operating profit 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 2012				
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	Total HK\$ millions
Turnover	5,241	1,725	-	(236)	6,730
Operating costs	(4,249)	(1,215)	(56)	236	(5,284)
Depreciation and amortisation	(317)	(328)	-	-	(645)
Operating profit/(loss)	<u>675</u>	<u>182</u>	<u>(56)</u>	<u>-</u>	<u>801</u>
Other information:					
Additions to property, plant and equipment	<u>272</u>	<u>295</u>	<u>-</u>	<u>-</u>	<u>567</u>
Additions to other intangible assets	<u>151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151</u>

5 Segment information (Continued)

	Six months ended 30 June 2011				Total HK\$ millions
	Mobile HK\$ millions	Fixed-line HK\$ millions	Others HK\$ millions	Elimination HK\$ millions	
Turnover	4,553	1,653	-	(188)	6,018
Operating costs	(3,775)	(1,134)	(54)	188	(4,775)
Depreciation and amortisation	(241)	(321)	-	1	(561)
Operating profit/(loss)	<u>537</u>	<u>198</u>	<u>(54)</u>	<u>1</u>	<u>682</u>
Other information:					
Additions to property, plant and equipment	<u>259</u>	<u>205</u>	-	-	<u>464</u>
Additions to other intangible assets	<u>1,080</u>	-	-	-	<u>1,080</u>

6 Interest and other finance costs, net

	Six months ended 30 June	
	2012 HK\$ millions	2011 HK\$ millions
Interest income:		
Interest income from jointly controlled entities	5	2
Interest and other finance costs:		
Bank loans	(25)	(23)
Notional non-cash interest accretion (Note)	(38)	(31)
Guarantee and other finance fees	(16)	(8)
	<u>(79)</u>	<u>(62)</u>
Less: Amounts capitalised on qualifying assets	2	5
	<u>(77)</u>	<u>(57)</u>
Interest and other finance costs, net	<u>(72)</u>	<u>(55)</u>

Note: 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					
	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	-	21	21	-	24	24
Outside Hong Kong	2	-	2	4	-	4
	<u>2</u>	<u>21</u>	<u>23</u>	<u>4</u>	<u>24</u>	<u>28</u>

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

8 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK\$568 million (30 June 2011: HK\$494 million) and on the weighted average number of 4,818,241,922 (30 June 2011: 4,817,193,225) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2012 is calculated by adjusting the weighted average number of 4,818,241,922 (30 June 2011: 4,817,193,225) ordinary shares in issue with the weighted average number of 598,512 (30 June 2011: 1,150,816) ordinary shares deemed to be issued assuming the exercise of the share options.

9 Dividends

	Six months ended 30 June	
	2012 HK\$ millions	2011 HK\$ millions
Interim dividend (HK\$ millions)	<u>292</u>	<u>249</u>
Interim dividend per share (HK cents)	<u>6.05</u>	<u>5.16</u>

In addition, final dividend in respect of year 2011 of 10.70 HK cents per share (30 June 2011: 6.83 HK cents per share in respect of year 2010) totalling HK\$516 million (30 June 2011: HK\$329 million) was approved and paid during the six months ended 30 June 2012.

10 Cash and cash equivalents

	As at 30 June 2012 HK\$ millions	As at 31 December 2011 HK\$ millions
	Cash at banks and in hand	98
Short-term bank deposits	126	73
	<u>224</u>	<u>182</u>

11 Trade receivables and other current assets

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.

	Note	As at 30 June 2012 HK\$ millions	As at 31 December 2011 HK\$ millions
Trade receivables		1,521	1,626
Less: Provision for doubtful debts		(222)	(189)
Trade receivables, net of provision	(a)	<u>1,299</u>	<u>1,437</u>
Other receivables		137	130
Prepayments and deposits		234	220
		<u>1,670</u>	<u>1,787</u>

(a) Trade receivables, net of provision

	As at 30 June 2012 HK\$ millions	As at 31 December 2011 HK\$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	779	916
31 - 60 days	151	209
61 - 90 days	90	106
Over 90 days	279	206
	<u>1,299</u>	<u>1,437</u>

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

12 Trade and other payables

	Note	As at 30 June 2012 HK\$ millions	As at 31 December 2011 HK\$ millions
Trade payables	(a)	625	462
Other payables and accruals		2,838	3,026
Deferred revenue		876	969
Current portion of licence fees liabilities		162	158
		<u>4,501</u>	<u>4,615</u>

(a) Trade payables

	As at 30 June 2012 HK\$ millions	As at 31 December 2011 HK\$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	278	188
31 - 60 days	91	56
61 - 90 days	39	39
Over 90 days	217	179
	<u>625</u>	<u>462</u>

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 cautiously plans to use derivatives – principally interest rate and foreign currency swaps plus forward currency contracts, as appropriate for risk management purposes only – for hedging transactions and managing group assets and liabilities. 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. Surplus funds are managed in a prudent manner, usually in the form of deposits with banks or financial institutions attaining a minimum credit rating of AA-/Aa3 from Standard & Poor's and Moody's. Any deviation in these ratings requires approval from senior management in order to manage counterparty risks. Alternatively, surplus funds can be invested in marketable securities such as United States Treasury Bills and Commercial Papers/Certificates of Deposits issued by creditworthy issuers with short-term ratings at or above A1/P1 and long-term ratings at or above AA-/Aa3 from Standard & Poor's and Moody's. Counterparties and investment products must be approved by the Chief Financial Officer of the Group.

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 six months ended 30 June 2012, an additional 650,000 shares of HK\$0.25 each were issued upon exercise of share options under the share option scheme of the Company. As at 30 June 2012, the Group recorded share capital of HK\$1,205 million and total equity of HK\$10,602 million.

The cash and cash equivalents amounted to HK\$224 million as at 30 June 2012 (31 December 2011: HK\$182 million), 66% of which were denominated in Hong Kong dollars, 12% in Macau Patacas, 11% in United States dollars with remaining in various other currencies. As at 30 June 2012, the Group had bank borrowings of HK\$3,775 million (31 December 2011: HK\$3,853 million) which were denominated in Hong Kong dollars and repayable in June 2015. During the six months ended 30 June 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 total equity, was 33% as at 30 June 2012 (31 December 2011: 35%).

Cash Flows

The Group maintains a healthy financial position, benefiting from robust operating cash flows. During the six months ended 30 June 2012, net cash generated from operating activities and used in investing activities of the Group amounted to HK\$1,403 million (30 June 2011: HK\$1,578 million) and HK\$750 million (30 June 2011: HK\$1,571 million) respectively. Major net outflows of funds during the period under review included payments for the additions to property, plant and equipment, spectrum utilisation fee for a block of radio spectrum acquired, repayment of borrowings and final dividend for the year 2011.

Charges on Group Assets

As at 30 June 2012, except for certain shares of a 50:50 joint venture owned by the Group which were pledged as security in favour of another joint venture partner under a cross share pledge arrangement, no material assets of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the first six months of 2012 was HK\$567 million, compared to HK\$464 million in the same period of 2011, reflecting our continued investment in network upgrade and expansion to support business growth.

Acquisition of Radio Spectrum

During the period under review, the Group acquired a block of radio spectrum in the 2.3GHz 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 30 June 2012, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK\$960 million (31 December 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 30 June 2012, the Group had total capital commitments of property, plant and equipment, radio spectrum and investments in jointly controlled entities amounting to HK\$1,442 million (31 December 2011: HK\$2,204 million).

Staff

As at 30 June 2012, the Group employed 1,892 full-time staff members. Staff costs during the six months ended 30 June 2012, including directors' emoluments, totalled HK\$346 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 business 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 Accounts

The unaudited condensed consolidated accounts of the Group for the six months ended 30 June 2012 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 accounts of the Group for the six months ended 30 June 2012 have also been reviewed by the Audit Committee of the Company.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 29 August 2012 to Wednesday, 5 September 2012, both days inclusive. In order to qualify for the interim dividend payable on Thursday, 6 September 2012, 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, 28 August 2012.

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

During the six months ended 30 June 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 period.

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 various amendments to the Code on Corporate Governance Practices (the "Old Code") 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 "CG Code"). The CG Code took effect on 1 April 2012.

The Company has been fully compliant with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 30 June 2012, other than Code Provisions A.5.1 to A.5.4 of the CG Code with respect to 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. 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.

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 (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of Directors. All Directors of the Company confirmed that they have complied with the Model Code in their securities transactions throughout the period from 1 January 2012 to 30 June 2012.

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