SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2013 / 2014 INTERIM RESULTS ANNOUNCEMENT

(All references to "$" are to the Hong Kong dollars)

- Group total revenue increased 11% to $6,531 million
- Hong Kong customer numbers increased 8% to 1.87 million
- Increased network operating costs with strongly rising data usage
- Higher depreciation from completion of 4G network
- Group EBITDA declined 12%
- Net profit fell 32% to $311 million
- Interim dividend of $0.18 per share, 60% payout

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the six months ended 31 December 2013.

Financial Highlights

Total revenue increased 11% to $6,531 million, with a 24% growth in handset and accessory sales, partly offset by a 3% decrease in service revenue, compared to the same period last year. The increase in handset and accessory sales reflects strong volume growth of the wholesale handset business. Increased network operating costs from strongly rising data usage, higher depreciation from completion of the 4G network, and reduced handset margins affected profitability. EBITDA declined 12% to $1,348 million and net profit decreased 32% to $311 million.

Dividend

In line with our dividend policy of 60% payout of profit attributable to equity holders excluding extraordinary items, your Board declares an interim dividend of 18 cents per share. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

In Hong Kong, competition continues to intensify in the period under review. While SmarTone increased Hong Kong customer numbers, in both postpaid and prepaid segments, by 8% to 1.87 million, service revenue declined 2%. This reflects competitive pricing erosion, a slowing decline in roaming revenue, as well as the continued scale-down of the wireless fixed broadband business. Handset models launched in the period have not met with the strong response as in the past and many customers have adopted SIM-only price plans, at lower price points, when their handset-bundled plans expired. This migration has no impact on profitability but has reduced revenue and ARPU. This, together with the increased acquisition of new customers with the lower-priced 3G speed-capped plans, reduced fully blended ARPU 11% to $243. Postpaid churn improved to 1.1% compared with 1.4% for the same period last year.

SmarTone's highly optimised network performance is well recognised in the market for its outstanding customer experience in terms of coverage, stability and speed. Our 4G LTE network is largely fully deployed in the 1800MHz band and our HSPA+ network has now been extended to the 850MHz band. Just under 40% of our mobile broadband customers have adopted 4G LTE and it is anticipated that usage will continue to rise as customers come to rely on ever more broadband-delivered services and applications. We are now focusing on vacating further 2G spectrum for refarming to 4G LTE, as well as trialling HetNet small-cell technology across Hong Kong, ensuring network excellence for our customers in the future.

SmarTone is strongly committed to enhance customer experience through its services and applications, as well as customer care. We foster a customer-focused culture of innovation and are passionate about developing propositions, experiences and engagement that redefine brand saliency and loyalty, and bring about monetisation opportunities. Some of our proprietary services have met with strong customer response, with approximately 40% of postpaid customers subscribing to these services. Our customer care has garnered customer accolades, with excellent satisfaction ratings across all touch points. We are focused on implementing several key service and customer care initiatives that we believe will further drive customer satisfaction and brand loyalty.

The Macau operation suffered a small loss due to a decline in roaming revenue.

Prospects

Competition in the Hong Kong mobile market remains intense and this will continue to put pressure on service revenue. Costs are expected to increase with higher customer data usage and general inflation. In light of this headwind, we will focus on cost control and productivity improvement without compromising on quality of service to our customers.

We remain committed to extend our network excellence, develop new services that are valuable to our customers and provide outstanding customer care. With a strong brand and a healthy financial position, we are well-placed to face the industry challenges and bring value to both customers and shareholders in the long term.

Appreciation

During the period under review, Mr. Fung Yuk-lun, Allen was appointed as Non-Executive Director. I would like to welcome Mr. Fung to the Board.

I would also like to take this opportunity to express my gratitude to our customers and shareholders for their continuing support, my fellow directors for their guidance as well as our staff for their dedication and hard work.

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 13 February 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the period under review, the Group's revenue increased by 11% to $6,531 million (first half of 2012/2013: $5,888 million), comprising a 24% increase in handset and accessory sales, partly offset by a 3% decline in service revenue. EBITDA fell by 12% to $1,348 million (first half of 2012/13: $1,537 million). Profit attributable to equity holders of the Company decreased by 32% to $311 million (first half of 2012/13: $459 million).

Revenues rose by $643 million or 11% to $6,531 million (first half of 2012/13: $5,888 million).

- Service revenue declined by $80 million or 3% to $2,789 million (first half of 2012/13: $2,869 million) driven by lower local mobile service revenue, roaming revenue and the continuing scale down of wireless fixed broadband business. Local mobile service revenue declined by 1% amidst customers' migration from handset-bundled plans to SIM-only price plans, partly offset by the revenue increase from the growth in customer numbers. The drop in roaming revenue was due to a significant reduction in global wholesale roaming inter-operator tariffs as well as reduced voice roaming traffic amidst cannibalisation by over-the-top applications.

  The Group achieved a 8% year-on-year growth in its Hong Kong customer base. Fully blended ARPU decreased by 11% to $243 (first half of 2012/13: $272) amidst customers' migration from handset-bundled plans to SIM-only price plans, dilution from the lower-priced 3G speed-capped plans and decrease in roaming revenue.

- Handset and accessory sales rose by $723 million or 24% to $3,742 million (first half of 2012/13: $3,019 million). Both sales volume and average unit selling price increased.

Cost of inventories sold rose by $774 million or 26% to $3,702 million (first half of 2012/13: $2,927 million). As the cost of inventories sold increased in a larger extent than the corresponding increase in handset and accessory sales, lower handset business profits were resulted.

Staff costs fell slightly by $4 million or 1% to $342 million (first half of 2012/13: $346 million).

Other operating expenses rose by $62 million or 6% collectively to $1,140 million (first half of 2012/13: $1,078 million). Increase in network operating costs, rental and utilities and cost of services provided were partly offset by lower sales and marketing expenses as well as general and administrative expenses.

Depreciation and gain on disposal increased by $56 million or 21% to $327 million (first half of 2012/13: $271 million) arising from higher capital expenditure incurred in FY12/13 for the launch of 4G LTE network as well as general capacity enhancement to cater for increasing data usage by customers.

Handset subsidy amortisation fell by $61 million or 11% to $518 million (first half of 2012/13: $578 million), mainly attributable to customers' migration from handset-bundled plans to SIM-only price plans during the period under review. Such decrease more than offset the decline in local mobile service revenue. As a result, local mobile service revenue net of handset subsidy amortisation increased slightly by 2%. Mobile licence fee amortisation remained stable at $72 million (first half of 2012/13: $72 million).

Finance income rose by $21 million to $28 million (first half of 2012/13: $7 million) amid higher average balance of bank deposits and a higher return on surplus cash. Finance costs increased by $29 million to $94 million (first half of 2012/13: $66 million) driven by higher bank borrowings and the US$200 million 10-year guaranteed notes.

Income tax expense amounted to $56 million (first half of 2012/13: $90 million).

Macau operations reported an operating loss of $9 million (first half of 2012/13: operating profit of $27 million) amid lower contribution from roaming business.

Capital structure, liquidity and financial resources

During the period under review, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 31 December 2013, the Group recorded share capital of $104 million, total equity of $3,134 million and total borrowings of $2,809 million.

The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) of $2,664 million as at 31 December 2013 (30 June 2013: $2,510 million).

As at 31 December 2013, the Group had bank and other borrowings of $2,809 million (30 June 2013: $2,595 million) of which 80% were denominated in US dollars and were arranged on a fixed rate basis. Net debt, after deducting cash and bank deposits, amounted to $145 million as at 31 December 2013 (30 June 2013: $85 million). The gearing ratio, calculated by dividing net debt by total equity, was 5% as at 31 December 2013 (30 June 2013: 3%). Net debt to EBITDA (annualised) was 5% as at 31 December 2013 (30 June 2013: 3%).

The Group had net cash generated from operating activities and interest received of $1,131 million and $5 million respectively during the period ended 31 December 2013. The Group's major outflows of funds during the period were payments for additions of handset subsidies, purchase of fixed assets, dividends and mobile licence fees.

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2014 with internal cash resources and available banking facilities.

Treasury policy

The Group invests its surplus funds in accordance with a treasury policy approved from time to time by the board of directors. Surplus funds are placed in bank deposits. Bank deposits are maintained in Hong Kong dollars, Renminbi and other currencies.

The Group is required to arrange for banks to issue performance bonds and letter of credit on its behalf. The Group may partially or fully collateralise such instruments by cash deposits to lower the issuance costs.

Charges on assets

As at 31 December 2013, certain bank deposits of the Group, in aggregate amount of $6 million (30 June 2013: $6 million), were pledged for securing guarantees issued by the banks. In addition, certain Hong Kong dollar denominated bank borrowings were secured by certain assets of the Group and the carrying amount of the pledged assets amounted to $89 million as at 31 December 2013 (30 June 2013: $90 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect borrowings denominated in Hong Kong dollars which accounted for 20% of the Group's total borrowings at 31 December 2013. The remaining 80% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential rising interest rates in the next few years. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, available-for-sale financial assets, trade payables and bank and other borrowings denominated in Renminbi and United States dollars. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

Performance bonds

Certain banks, on the Group's behalf, had issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under mobile licences issued by those authorities. The total amount outstanding as at 31 December 2013 under these performance bonds was $527 million (30 June 2013: $648 million). The banks' obligations under the performance bonds are guaranteed by the Company and various subsidiaries of the Company.

Employees and share option scheme

The Group had 2,171 full-time employees as at 31 December 2013 (30 June 2013: 2,184), with the majority of them based in Hong Kong. Total staff costs were $342 million for the period ended 31 December 2013 (first half of 2012/13: $346 million).

Employees receive a remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and depend, inter-alia, on both the Group's performance and the individual employee's performance. Benefits include retirement schemes, medical and dental care insurance. Employees are provided with both internal and external training appropriate to each individual's requirements.

The Group has a share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. During the period under review, no new share options were granted; 12,000 share options were exercised; and 350,000 share options were cancelled or lapsed. 32,878,500 (30 June 2013: 33,240,500) share options were outstanding as at 31 December 2013.

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the "Company") is pleased to present the consolidated profit and loss account and consolidated statement of comprehensive income for the six months ended 31 December 2013 and the consolidated balance sheet as at 31 December 2013 of the Company and its subsidiaries (the "Group"), all of which are unaudited and condensed, along with selected explanatory notes.

Condensed Consolidated Profit and Loss Account
For the six months ended 31 December 2013

	Note	Unaudited six months ended 31 December **2013** **$000**	2012 $000
Service revenue		**2,788,749**	2,869,028
Handset and accessory sales		**3,742,190**	3,019,059
Revenues	4	**6,530,939**	5,888,087
Cost of inventories sold		**(3,701,563)**	(2,927,251)
Staff costs		**(341,928)**	(345,699)
Other operating expenses		**(1,139,888)**	(1,078,116)
Depreciation, amortisation and gain/loss on disposal		**(916,697)**	(921,561)
Operating profit		**430,863**	615,460
Finance income	5	**28,090**	6,889
Finance costs	6	**(94,499)**	(65,897)
Profit before income tax	7	**364,454**	556,452
Income tax expense	8	**(56,013)**	(90,441)
Profit after income tax		**308,441**	466,011
Attributable to			
Equity holders of the Company		**311,299**	459,399
Non-controlling interests		**(2,858)**	6,612
		308,441	466,011
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**30.0**	44.3
Diluted		**30.0**	44.1
Interim dividend declared	10	**186,726**	456,506

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2013

	Unaudited six months ended 31 December	
	2013	2012
	$000	$000
Profit for the period	**308,441**	466,011
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain on financial investments, net of tax	**964**	3,006
Currency translation differences	**484**	267
Other comprehensive income for the period, net of tax	**1,448**	3,273
Total comprehensive income for the period	**309,889**	469,284
Total comprehensive income attributable to		
Equity holders of the Company	**312,747**	462,672
Non-controlling interests	**(2,858)**	6,612
	309,889	469,284

Condensed Consolidated Balance Sheet
As at 31 December 2013 and 30 June 2013

	Note	**Unaudited 31 December 2013 $000**	Audited 30 June 2013 $000
Non-current assets			
Leasehold land and land use rights		**15,104**	15,306
Fixed assets		**3,174,010**	3,185,637
Interest in an associate		**3**	3
Intangible assets		**2,727,585**	2,989,220
Deposits and prepayments		**102,450**	79,786
Deferred income tax assets		**7,190**	7,549
		6,026,342	6,277,501
Current assets			
Inventories		**163,645**	103,164
Financial investments		**4,243**	3,279
Trade receivables	11	**408,503**	398,877
Deposits and prepayments		**157,692**	167,984
Other receivables		**109,120**	167,100
Pledged bank deposits		**6,269**	6,269
Short-term bank deposits		**1,565,696**	1,858,466
Cash and cash equivalents		**1,092,461**	645,502
		3,507,629	3,350,641
Current liabilities			
Trade payables	12	**688,454**	536,654
Other payables and accruals		**629,618**	776,758
Current income tax liabilities		**45,484**	177,922
Bank borrowings		**87,249**	65,153
Customer prepayments and deposits		**670,461**	757,989
Deferred income		**224,950**	204,630
Mobile licence fee liabilities		**154,892**	176,948
		2,501,108	2,696,054
Net current assets		**1,006,521**	654,587
Total assets less current liabilities		**7,032,863**	6,932,088
Non-current liabilities			
Customer prepayments and deposits		**250,543**	316,221
Asset retirement obligations		**61,046**	62,132
Bank and other borrowings		**2,722,236**	2,529,646
Mobile licence fee liabilities		**495,812**	615,120
Deferred income tax liabilities		**368,822**	360,991
		3,898,459	3,884,110
Net assets		**3,134,404**	3,047,978

Condensed Consolidated Balance Sheet
As at 31 December 2013 and 30 June 2013

	Unaudited 31 December 2013 $000	Audited 30 June 2013 $000
Capital and reserves		
Share capital	**103,804**	103,794
Reserves	**2,971,395**	2,882,121
Total equity attributable to equity holders of the Company	**3,075,199**	2,985,915
Non-controlling interests	**59,205**	62,063
Total equity	**3,134,404**	3,047,978

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of telecommunications services and the sale of handsets and accessories in Hong Kong and Macau.

The Company is a limited liability company incorporated in Bermuda. The address of its head office and principal place of business is 31/F, Millennium City 2, 378 Kwun Tong Road, Kwun Tong, Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial information ("Interim Financial Statements") are presented in Hong Kong dollars, unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 13 February 2014.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of Interim Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2013, as described in those annual financial statements.

(a) New and revised standards and amendments to standards relevant to and adopted by the Group

The following new and revised standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning on 1 July 2013.

Annual Improvements 2011	Annual Improvements 2009-2011 Cycle
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement

3 Accounting policies *(continued)*

(a) New and revised standards and amendments to standards relevant to and adopted by the Group *(continued)*

The adoption of the above new and revised standards and amendments to standards have no significant impact on these Interim Financial Statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) New standards, amendments to standards and interpretations to existing standards have been issued but are not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and interpretations to existing standards have been issued but are not yet effective for the financial year beginning 1 July 2013 and have not been early adopted.

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives[1]
HKFRS 9	Financial Instruments[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Consolidation for Investment Entities[1]
HK (IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 January 2015.

4 Segment information

The chief operating decision-maker (the "CODM") has been identified as the Group's senior executive management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the information reviewed by the CODM.

The CODM considers the business from a geographic perspective. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortisation and gain/loss on disposal ("EBITDA") and operating profit.

4 Segment information *(continued)*

An analysis of the Group's segment information by geographical segments is set out as follows:

(a) Segment results

	Unaudited six months ended 31 December 2013			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**6,441,655**	**279,005**	**(189,721)**	**6,530,939**
EBITDA	**1,324,160**	**23,400**	**-**	**1,347,560**
Depreciation, amortisation and gain on disposal	**(884,961)**	**(32,732)**	**996**	**(916,697)**
Operating profit/(loss)	**439,199**	**(9,332)**	**996**	**430,863**
Finance income				**28,090**
Finance costs				**(94,499)**
Profit before income tax				**364,454**

	Unaudited six months ended 31 December 2012			
	Hong Kong	Macau	Elimination	Consolidated
	$000	$000	$000	$000
Revenues	5,766,697	277,044	(155,654)	5,888,087
EBITDA	1,478,161	58,860	-	1,537,021
Depreciation, amortisation and loss on disposal	(890,227)	(31,447)	113	(921,561)
Operating profit	587,934	27,413	113	615,460
Finance income				6,889
Finance costs				(65,897)
Profit before income tax				556,452

4 **Segment information** *(continued)*

(b) Segment assets/(liabilities)

	At 31 December 2013 (Unaudited)			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**9,108,280**	**414,255**	**11,436**	**9,533,971**
Segment liabilities	**(5,838,797)**	**(146,464)**	**(414,306)**	**(6,399,567)**

	At 30 June 2013 (Audited)			
	Hong Kong	Macau	Unallocated	Consolidated
	$000	$000	$000	$000
Segment assets	9,215,100	402,211	10,831	9,628,142
Segment liabilities	(5,880,322)	(160,929)	(538,913)	(6,580,164)

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment results.

5 **Finance income**

	Unaudited six months ended 31 December	
	2013	2012
	$000	$000
Interest income from listed debt securities	**-**	443
Interest income from bank deposits	**27,774**	6,125
Accretion income	**316**	321
	28,090	6,889

Accretion income represents changes in the rental deposits due to passage of time calculated by applying an effective interest rate method of allocation to the amount of rental deposits at the beginning of the period.

6 Finance costs

	Unaudited six months ended 31 December	
	2013	2012
	$000	$000
Interest expense		
Bank and other borrowings wholly repayable within 5 years	**4,531**	-
Bank and other borrowings not wholly repayable within 5 years	**41,939**	2,411
Bank charges for credit card instalment	**5,062**	15,328
Accretion expenses		
Mobile licence fee liabilities	**41,856**	46,861
Asset retirement obligations	**1,111**	1,297
	94,499	65,897

Accretion expenses represent changes in the mobile licence fee liabilities and asset retirement obligations due to passage of time calculated by applying an effective interest rate method of allocation to the amount of the liabilities at the beginning of the period.

7 Profit before income tax

Profit before income tax is stated after charging and crediting the following:

	Unaudited six months ended 31 December	
	2013	2012
	$000	$000
Charging:		
Cost of services provided	**238,945**	235,821
Operating lease rentals for land and buildings, transmission sites and leased lines	**491,934**	431,807
Impairment loss of trade receivables (note 11)	**7,910**	8,306
Impairment loss of inventories	**14,763**	10,880
Loss on disposal of fixed assets	**-**	1,325
Share-based payments	**3,980**	10,773
Crediting:		
Net exchange gain	**15,058**	644
Gain on disposal of fixed assets	**8,936**	-

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rate prevailing in the countries in which the Group operates.

The amount of income tax expense recognised in the condensed consolidated profit and loss account represents:

	Unaudited six months ended 31 December	
	2013	2012
	\$000	\$000
Current income tax		
Hong Kong profits tax	**47,301**	55,954
Overseas tax	**547**	3,865
Over-provision in prior year tax charge		
Hong Kong profits tax	**(25)**	-
	47,823	59,819
Deferred income tax	**8,190**	30,622
	56,013	90,441

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

9 Earnings per share

(a) Basic

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

	Unaudited six months ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (\$000)	**311,299**	459,399
Weighted average number of ordinary shares in issue	**1,037,949,205**	1,037,049,769
Basic earnings per share (cents per share)	**30.0**	44.3

9 Earnings per share *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Unaudited six months ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company ($000)	**311,299**	459,399
Weighted average number of ordinary shares in issue	**1,037,949,205**	1,037,049,769
Adjustment for dilutive share options	**225,322**	4,712,434
Weighted average number of ordinary shares for diluted earnings per share	**1,038,174,527**	1,041,762,203
Diluted earnings per share (cents per share)	**30.0**	44.1

10 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2013	2012
	$000	$000
Interim dividend declared of 18 cents (2012: 44 cents) per share	**186,726**	456,506

At a meeting held on 13 February 2014, the directors declared an interim dividend of 18 cents per share for the year ending 30 June 2014. The interim dividend declared is not reflected as a dividend payable in these Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2014.

The interim dividend declared is calculated based on the number of shares in issue at the date of approval of these Interim Financial Statements.

10 **Dividends** *(continued)*

(b) Attributable to prior year paid in the period

	Unaudited six months ended 31 December	
	2013	2012
	$000	$000
Final dividend of 22 cents (2012: 53 cents) per share	**228,347**	549,714

11 **Trade receivables**

The credit periods granted by the Group to its customers generally range from 15 days to 45 days from the date of invoice. An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	Unaudited 31 December 2013	Audited 30 June 2013
	$000	$000
Current to 30 days	**385,442**	372,882
31 - 60 days	**4,285**	9,719
61 - 90 days	**3,094**	1,849
Over 90 days	**15,682**	14,427
	408,503	398,877

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The Group has recognised a loss of $7,910,000 (2012: $8,306,000) for the impairment of its trade receivables during the six months ended 31 December 2013. The loss has been included in “other operating expenses” in the condensed consolidated profit and loss account.

12 Trade payables

An ageing analysis of trade payables based on invoice date is as follows:

	Unaudited 31 December 2013 $000	Audited 30 June 2013 $000
Current to 30 days	**559,952**	288,925
31 - 60 days	**82,783**	142,243
61 - 90 days	**25,054**	38,419
Over 90 days	**20,665**	67,067
	688,454	536,654

INTERIM DIVIDEND

The Directors declared an interim dividend of 18 cents per share for the six months ended 31 December 2013 (2012: 44 cents). The interim dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). The Directors may, after having made enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in relation to the Scrip Dividend Scheme, exclude any shareholder outside Hong Kong from the Scrip Dividend Scheme provided that the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Such shareholders will receive the interim dividend in cash. A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Tuesday, 11 March 2014.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The interim dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Wednesday, 9 April 2014 to shareholders whose names appear on the Register of Members of the Company on Friday, 28 February 2014.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim dividend is Friday, 28 February 2014. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Friday, 28 February 2014 during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 27 February 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the six months ended 31 December 2013 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2013. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2013 have not been audited but have been reviewed by the Company's external auditor.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2013, the Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. Non-Executive Directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's bye-laws. As such, no Director has a term of appointment longer than three years.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Corporate Governance Code.

By order of the Board
Mak Yau-hing, Alvin
Company Secretary

Hong Kong, 13 February 2014

As at the date of this announcement, the Executive Directors of the Company are Mr. Douglas LI and Mr. CHAN Kai-lung, Patrick; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond, Mr. CHEUNG Wing-yui, Mr. David Norman PRINCE, Mr. FUNG Yuk-lun, Allen, Mr. SIU Hon-wah, Thomas, Mr. TSIM Wing-kit, Alfred and Mr. John Anthony MILLER; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. YANG Xiang-dong, Mr. GAN Fock-kin, Eric and Mrs. IP YEUNG See-ming, Christine.