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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2011 / 2012 INTERIM RESULTS ANNOUNCEMENT

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

- Service revenue increased 31%, driven by continuing growth in both customer number and ARPU
- Increasing competitiveness through quality and innovation
- Data revenue increased 54%
- EBITDA increased 52%
- Net profit increased 48% to $475 million
- Interim dividend of $0.46 per share with a scrip dividend alternative

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the six months ended 31 December 2011.

Financial Highlights

The Group achieved significant improvements in financial results in the period under review with continuing strong growth in service revenue, driven by increase in both customer number and ARPU, as well as increasing usage of data services. These drivers, together with improved operating leverage, resulted in an EBITDA growth of 52% and net profit growth of 48% over the same period last year.

Total revenue increased by 83% to $5,060 million, with a 31% growth in service revenue. EBITDA increased by 52% to $1,406 million. Interim profit attributable to equity holders increased by 48% to $475 million. Interim earnings per share increased to 46 cents, compared with 31 cents (adjusted for the bonus issue in April 2011) in the same period last year.

Dividend

In line with the Group's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, your Board declares an interim dividend of 46 cents per share, which shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

Hong Kong

SmarTone continued to generate strong growth in service revenue, from both increased customer number and ARPU, in the period under review, reflecting our increased competitiveness through quality and innovation, and thereby providing better value for customers.

Service revenue grew 31%, compared to the same period last year, amidst a highly competitive market. Customer number increased by 12% to 1.62 million, of which 70% were higher value postpaid customers. Postpaid mobile churn rate maintained at a healthy level of 1.1%. Fully blended ARPU, defined as service revenue divided by number of SIM cards in issue across all service portfolios, increased by 15% to $277, driven by increasing customer adoption of data services using smart devices.

To maintain its leadership in providing a superior mobile broadband experience, the Company continued to invest to improve network quality and coverage. The 850 MHz HSPA+ network is being rolled out to further increase network capacity and enhance in-building coverage. The network modernisation program to upgrade to the new generation of multi-mode multi-band base stations is also well on its way to be completed by the middle of 2012. This modernisation program will enable a flexible and efficient implementation of LTE which the Company will implement on the 1800 MHz frequency band for its superior in-building penetration radio characteristics and cost effectiveness.

SmarTone continues to innovate through proprietary services to better engage customers, further differentiate in the market, and to generate additional revenue. Call Guard, a cloud service, enables our smartphone customers to easily collaborate through an app to screen out intrusive unsolicited marketing calls that have become increasingly prevalent in Hong Kong. Customers have come to value the dramatic reduction in these disturbances. Our HK Credit Card Privileges app enables a customer to find out instantly all the dining, shopping and lifestyle promotional offers available on the credit cards that the customer owns – this is proving to be a boon to the more value conscious customers. A new model of HomePhone+ telephone was introduced for our wireless fixed-line service, incorporating new service features including HelpNow. HelpNow provides 24x7 access to a trained HelpNow operator for instant advice and help in all household emergencies, including calling and assisting emergency services where required. Recently, SmarTone introduced its

own PockeTab™ homescreen software to launch with the Samsung Galaxy Note. This has helped in selling SmarTone's services and apps, deepening engagement, and has generated favourable response from customers.

Your Company continues to invest in improving its customer care across all touch-points, including our stores, customer hotlines and online, further enhancing customer engagement and satisfaction.

Macau

With improving operations, SmarTone Macau registered growth in both revenue and profit in the period under review.

Prospects

Amidst the weak global economic environment, the Hong Kong economy is faced with increasing uncertainties and inflationary pressure.

The Group will continue to focus on delivering more valuable experiences to customers and further extending its leadership in network performance, proprietary services and customer care.

SmarTone is well positioned to capitalise on the increasing adoption of smart devices and data services. Your Group will continue to expand network capacity in a cost effective way through implementing 850 MHz HSPA+, re-allocating network resources from wireless fixed broadband to the higher margin mobile business, and launch LTE at the 1800 MHz frequency band.

The Group expects to launch its LTE network within 2012 when Release 9 LTE handsets become available.

Your Group's balance sheet remains strong, providing flexibility in a competitive market as well as allowing us to capture new opportunities, bringing value to both customers and shareholders.

Appreciation

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.

Raymond Ping-luen Kwok
Chairman

Hong Kong, 21 February 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the period under review, the Group achieved continued growth in service revenue, EBITDA and net profit. Service revenue grew by 31% to $2,807 million (first half of 2010/11: $2,145 million). EBITDA rose by 52% to $1,406 million (first half of 2010/11: $927 million). Profit attributable to equity holders of the Company increased by 48% to $475 million (first half of 2010/11: $321 million).

Revenues rose by $2,301 million or 83% to $5,060 million (first half of 2010/11: $2,759 million).

- Service revenue rose by $662 million or 31% to $2,807 million (first half of 2010/11: $2,145 million) driven by customer growth and increase in ARPU.

  The Group achieved a 12% year-on-year growth in its Hong Kong customer base. Hong Kong blended ARPU rose by 15% to $277 (first half of 2010/11: $241) driven primarily by data services, with increasing subscriptions to high price point data bundled plans by both new and existing customers.

- Handset and accessory sales rose by $1,639 million or 2.7 times to $2,253 million (first half of 2010/11: $614 million) attributable to increased sales volume and average unit selling price.

Cost of inventories sold and services provided rose by $1,674 million or 1.9 times to $2,540 million (first half of 2010/11: $866 million) largely due to higher cost of inventories sold.

Operating expenses rose by $129 million or 13% to $1,095 million (first half of 2010/11: $966 million). The increase in operating expenses scaled less than the growth in service revenue, resulting in improved operating leverage. Network costs rose by 10% as the Group continued to enhance its network capacity, quality and coverage. Staff costs grew by 25% as a result of headcount growth, general salary inflation and share-based payments. Sales and marketing expenses remained broadly stable. Other operating expenses, including rental and utilities, rose by 15% collectively driven by cost increases to support the growth in business volume.

Impairment loss of financial investments of $20 million (first half of 2010/11: nil) arose from the decline in the fair value of the available-for-sale financial assets.

Depreciation and loss on disposal increased by $27 million or 12% to $261 million (first half of 2010/11: $233 million). Handset subsidy amortisation rose by $220 million to $463 million (first half of 2010/11: $242 million) as a result of increased customer acquisitions and upgrades using subsidised handsets, in particular smart

devices. Mobile licence fee amortisation rose by $5 million to $41 million (first half of 2010/11: $36 million).

Finance income fell by $3 million to $15 million (first half of 2010/11: $18 million). Finance costs rose by $22 million to $74 million (first half of 2010/11: $52 million) mainly due to higher bank charges for credit card instalment in respect of handset bundle subscriptions. Accretion expenses or deemed interest on mobile licence fee liabilities and interest on bank borrowings increased by $8 million collectively.

Income tax expense amounted to $97 million (first half of 2010/11: $57 million).

Macau operations reported an operating profit of $42 million (first half of 2010/11: $16 million). Revenues rose by 35% to $179 million (first half of 2010/11: $132 million) driven by higher revenue from both local and roaming services. Cost of inventories sold and services provided rose by 22%. Operating expenses remained broadly stable. EBITDA rose by $40 million to $71 million (first half of 2010/11: $31 million).

Capital structure, liquidity and financial resources

During the period under review, the Group was financed by share capital, internally generated funds and short-term bank borrowings. The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits) and investments in held-to-maturity debt securities of $1,878 million as at 31 December 2011 (30 June 2011: $1,653 million). The Group had short-term bank borrowings of $650 million as at 31 December 2011 (30 June 2011: $550 million).

The Group had arranged committed 12-month Hong Kong dollar denominated revolving credit facilities from certain banks totalling $650 million, of which a sum of $650 million was utilised as at 31 December 2011.

The Group had net cash generated from operating activities and interest received amounted to $1,671 million and $18 million respectively during the period ended 31 December 2011. The Group's major outflows of funds during the period were payments for additions of handset subsidies, purchase of fixed assets, mobile licence fees and 2011 final dividend.

The Group's current liabilities exceeded its current assets by $634 million as at 31 December 2011 (30 June 2011: $593 million). The growth in subscriptions of handset bundled plans resulted in corresponding increases in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding the non-refundable customer prepayments of $796 million (30 June 2011: $641 million) included in current liabilities, the Group would have net current assets of $161 million as at 31 December 2011 (30 June 2011: $48 million).

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 2012 with internal cash resources and short-term bank borrowings.

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 or invested in investment grade debt securities. Bank deposits are principally maintained in Hong Kong and United States dollars. Investments in debt securities are denominated in either Hong Kong dollar or United States dollar, and having a maximum maturity of three years. The Group's policy is to hold its investments in debt securities until maturity.

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. Pledged bank deposits amounted to $109 million as at 31 December 2011 (30 June 2011: $411 million).

Functional currency and foreign exchange exposure

The functional currency of the Group is the Hong Kong dollar. All material revenues, expenses, assets and liabilities, except for the Group's United States dollar bank deposits and debt securities are denominated in Hong Kong dollar. The Group therefore does not have any significant exposure to foreign currency gain or loss other than from its United States dollar denominated bank deposits and debt securities. The Group does not currently undertake any foreign exchange hedging.

Contingent assets and liabilities

Fixed-mobile interconnection charge

As at 31 December 2011, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $351 million (30 June 2011: $285 million) and $243 million (30 June 2011: $197 million) respectively as disclosed in note 13 to this results announcement.

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 2011 under these performance bonds was $709 million (30 June 2011: $658 million).

Lease out, lease back arrangement

A bank, on the Group's behalf, had issued a letter of credit to guarantee the Group's obligations under a lease out, lease back arrangement entered into during the year ended 30 June 1999. This letter of credit is fully cash collateralised using surplus cash deposits. The directors are of the opinion that the risk of the Group being required to make payment under this guarantee is remote.

Employees and share option scheme

The Group had 2,024 full-time employees as at 31 December 2011 (30 June 2011: 1,951), with the majority of them based in Hong Kong. Total staff costs were $317 million for the period ended 31 December 2011 (first half of 2010/11: $253 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, 1,642,500 new share options were granted; 1,393,000 share options were exercised; and 675,000 share options were cancelled or lapsed. 38,766,000 (30 June 2011: 39,191,500) share options were outstanding as at 31 December 2011.

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 2011 and the consolidated balance sheet as at 31 December 2011 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 2011

	Note	Unaudited six months ended 31 December **2011** **$000**	2010 $000 (Note 14)
Service revenue		**2,806,754**	2,144,824
Handset and accessory sales		**2,253,267**	614,100
Revenues	4	**5,060,021**	2,758,924
Cost of inventories sold and services provided		**(2,539,781)**	(865,961)
Network costs		**(422,260)**	(383,285)
Staff costs		**(316,510)**	(252,784)
Sales and marketing expenses		**(169,964)**	(168,154)
Rental and utilities		**(84,203)**	(79,545)
Other operating expenses		**(101,939)**	(82,339)
Impairment loss of financial investments		**(19,591)**	-
Depreciation, amortisation and loss on disposal		**(764,316)**	(511,812)
Operating profit		**641,457**	415,044
Finance income	5	**15,020**	17,893
Finance costs	6	**(73,690)**	(51,769)
Profit before income tax	7	**582,787**	381,168
Income tax expense	8	**(97,032)**	(56,680)
Profit after income tax		**485,755**	324,488
Attributable to			
Equity holders of the Company		**475,342**	320,521
Non-controlling interests		**10,413**	3,967
		485,755	324,488
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**46.2**	30.8
Diluted		**46.1**	30.8
Interim dividend declared	10	**473,702**	317,203

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2011

	Unaudited six months ended 31 December	
	2011	2010
	$000	$000
Profit for the period	**485,755**	324,488
Other comprehensive income		
Fair value loss on financial investments, net of tax	**(400)**	(992)
Currency translation differences	**1,966**	1,166
Other comprehensive income for the period, net of tax	**1,566**	174
Total comprehensive income for the period	**487,321**	324,662
Total comprehensive income attributable to		
Equity holders of the Company	**476,908**	320,695
Non-controlling interests	**10,413**	3,967
	487,321	324,662

Condensed Consolidated Balance Sheet
As at 31 December 2011 and 30 June 2011

	Note	**Unaudited 31 December 2011 $000**	Audited 30 June 2011 $000
Non-current assets			
Leasehold land and land use rights		**16,046**	16,007
Fixed assets		**2,147,682**	2,110,483
Interest in an associate		**3**	3
Financial investments		**-**	108,068
Intangible assets		**2,694,243**	2,520,571
Deposits and prepayments		**95,034**	63,164
		4,953,008	4,818,296
Current assets			
Inventories		**289,125**	311,506
Financial investments		**386,214**	341,252
Trade receivables	11	**359,541**	293,201
Deposits and prepayments		**140,771**	135,538
Other receivables		**98,783**	106,341
Pledged bank deposits		**108,602**	410,977
Short-term bank deposits		**52,963**	-
Cash and cash equivalents		**1,337,758**	819,781
		2,773,757	2,418,596
Current liabilities			
Trade payables	12	**730,171**	698,032
Other payables and accruals		**720,529**	718,856
Current income tax liabilities		**84,715**	41,170
Bank borrowings		**650,000**	550,000
Customer prepayments and deposits		**861,289**	688,885
Deferred income		**200,870**	190,874
Mobile licence fee liabilities		**160,456**	123,830
		3,408,030	3,011,647
Net current liabilities	2	**(634,273)**	(593,051)
Total assets less current liabilities		**4,318,735**	4,225,245
Non-current liabilities			
Customer prepayments and deposits		**400,363**	318,571
Asset retirement obligations		**59,132**	58,150
Mobile licence fee liabilities		**689,444**	780,654
Deferred income tax liabilities		**173,960**	159,186
		1,322,899	1,316,561
Net assets		**2,995,836**	2,908,684

Condensed Consolidated Balance Sheet
As at 31 December 2011 and 30 June 2011

	Unaudited 31 December 2011 $000	Audited 30 June 2011 $000
Capital and reserves		
Share capital	**102,979**	102,839
Reserves	**2,836,636**	2,760,037
Total equity attributable to equity holders of the Company	**2,939,615**	2,862,876
Non-controlling interests	**56,221**	45,808
Total equity	**2,995,836**	2,908,684

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 thousands of units of Hong Kong dollars ($000), unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 21 February 2012.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2011 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by $634,273,000 as at 31 December 2011 (30 June 2011: $593,051,000). The growth in subscriptions of handset bundled plans resulted in corresponding increases in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding the non-refundable customer prepayments of $795,607,000 (30 June 2011: $641,376,000) included in current liabilities, the Group would have net current assets of $161,334,000 as at 31 December 2011 (30 June 2011: $48,325,000). Based on the Group's history of its operating performance and its expected future working capital requirements, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, these Interim Financial Statements have been prepared on a going concern basis.

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 2011, as described in those annual financial statements.

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

3 Accounting policies (Continued)

The following revised standards, amendments to standards and interpretations to existing standards are mandatory for the financial year ending 30 June 2012.

HKFRS (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendment)	Disclosures - Transfers of Financial Assets[3]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]

[1] Effective for annual periods beginning on or after 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 January 2011.
[3] Effective for annual periods beginning on or after 1 July 2011.

The adoption of above amendments and interpretations to existing standards has no significant impact on these Interim Financial Statements.

The following new and revised standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's accounting policies beginning on or after 1 July 2012 or later periods but which the Group has not early adopted.

HKAS 1 (Amendment)	Presentation of Financial Statements[2]
HKAS 12 (Amendment)	Deferred Tax-Recovery of Underlying Assets[1]
HKAS 19 (Amendment)	Employee Benefits[3]
HKAS 27 (Revised 2011)	Separate Financial Statements[3]
HKAS 28	Investments in Associates and Joint Ventures[3]
HKFRS 9	Financial Instruments[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[4]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurements[3]
HK (IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012.
[2] Effective for annual periods beginning on or after 1 July 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] 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. The CODM has determined the operating segments based on these reports.

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 loss on disposal ("EBITDA") and operating profit.

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

(a) Segment results

	Unaudited six months ended 31 December 2011			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**4,925,684**	**179,290**	**(44,953)**	**5,060,021**
EBITDA	**1,334,375**	**71,398**	**-**	**1,405,773**
Depreciation, amortisation and loss on disposal	**(735,556)**	**(29,040)**	**280**	**(764,316)**
Operating profit	**598,819**	**42,358**	**280**	**641,457**
Finance income				**15,020**
Finance costs				**(73,690)**
Profit before income tax				**582,787**

4 Segment information (Continued)

(a) Segment results (Continued)

	Unaudited six months ended 31 December 2010			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000 (Note 14)
Revenues	2,659,423	132,468	(32,967)	2,758,924
EBITDA	895,775	31,081	-	926,856
Depreciation, amortisation and loss on disposal	(496,658)	(15,215)	61	(511,812)
Operating profit	399,117	15,866	61	415,044
Finance income				17,893
Finance costs				(51,769)
Profit before income tax				381,168

(b) Segment assets

	Hong Kong $000	Macau $000	Unallocated $000	Consolidated $000
At 31 December 2011 (Unaudited)	**7,030,060**	**310,488**	**386,217**	**7,726,765**
At 30 June 2011 (Audited)	6,512,182	275,387	449,323	7,236,892

5 **Finance income**

	Unaudited six months ended 31 December	
	2011	2010
	$000	$000
Interest income from listed debt securities	**6,384**	14,689
Interest income from unlisted debt securities	**1,961**	1,976
Interest income from bank deposits	**6,564**	998
Accretion income	**111**	230
	15,020	17,893

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	
	2011	2010
	$000	$000
		(Note 14)
Interest expense on bank borrowings	**2,188**	-
Bank charges for credit card instalment	**20,417**	6,086
Accretion expenses		
Mobile licence fee liabilities	**49,865**	44,421
Asset retirement obligations	**1,220**	1,262
	73,690	51,769

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	
	2011	2010
	$000	$000
Charging:		
Cost of inventories sold	**2,231,638**	569,815
Impairment loss of inventories	**2,180**	-
Operating lease rentals for land and buildings, transmission sites and leased lines	**375,823**	338,306
Impairment loss of trade receivables (note 11)	**10,505**	8,306
Amortisation		
Handset subsidies	**462,554**	242,197
Mobile licence fees	**40,850**	36,047
Leasehold land and land use rights	**342**	323
Depreciation	**257,264**	225,076
Loss on disposal of fixed assets	**3,306**	8,169
Share-based payments	**26,073**	-
Crediting:		
Net exchange gain	**524**	917
Reversal of impairment loss of inventories	**-**	466

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 rates 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	
	2011	2010
	$000	$000
Current income tax		
Hong Kong profits tax	**76,806**	59,922
Overseas tax	**5,452**	495
Deferred income tax	**14,774**	(3,737)
	97,032	56,680

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, after taking into account the effect of the Bonus Issue as referred to in note (*) below.

	Unaudited six months ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company ($000)	**475,342**	320,521
Weighted average number of ordinary shares in issue	**1,029,166,351**	1,040,141,476*
Basic earnings per share (cents per share)	**46.2**	30.8

(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 and adjusting for the Bonus Issue as referred to in note (*) below. For dilutive share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited six months ended 31 December	
	2011	2010
Profit attributable to equity holders of the Company ($000)	**475,342**	320,521
Weighted average number of ordinary shares in issue	**1,029,166,351**	1,040,141,476*
Adjustment for dilutive share options	**2,833,490**	1,636,200
Weighted average number of ordinary shares for diluted earnings per share	**1,031,999,841**	1,041,777,676
Diluted earnings per share (cents per share)	**46.1**	30.8

9 Earnings per share (Continued)

* Pursuant to the resolution passed at the special general meeting held on 29 March 2011, 512,940,428 bonus shares were issued at nil consideration on the basis of one bonus share for every existing share in issue on 22 March 2011 (the "Bonus Issue"). The Bonus Issue was allotted on 6 April 2011. The issued and fully paid capital increased by $51,294,000 with the creation of an additional 512,940,428 shares of $0.1 each. Weighted average number of ordinary shares in issue was restated on the assumption that the Bonus Issue had been in place in prior period.

10 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2011	2010
	$000	$000
Interim dividend declared of 46 cents (2010: 31 cents, as restated*) per share	**473,702**	317,203

At a meeting held on 21 February 2012, the directors declared an interim dividend of 46 cents per share for the year ending 30 June 2012. 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 2012.

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

(b) Attributable to prior year paid in the period

	Unaudited six months ended 31 December	
	2011	2010
	$000	$000
Final dividend of 42 cents (2010: 17.5 cents, as restated*) per share	**432,511**	178,977

* As restated on the assumption that the Bonus Issue had been in place in prior period.

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 2011 $000	Audited 30 June 2011 $000
Current to 30 days	**310,254**	257,348
31 - 60 days	**30,428**	21,242
61 - 90 days	**7,087**	5,820
Over 90 days	**11,772**	8,791
	359,541	293,201

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 $10,505,000 (2010: $8,306,000) for the impairment of its trade receivables during the six months ended 31 December 2011. 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 2011 $000	Audited 30 June 2011 $000
Current to 30 days	**573,405**	508,422
31 - 60 days	**121,877**	162,253
61 - 90 days	**12,634**	12,564
Over 90 days	**22,255**	14,793
	730,171	698,032

13 Other contingent assets and liabilities

The Office of the Telecommunications Authority ("OFTA") of Hong Kong withdrew the regulatory guidance on fixed-mobile interconnection charge ("FMIC") on 27 April 2009. Since then, FMIC was to be settled by commercial agreements between fixed and mobile operators. The Group adopts the Calling Party's Network Pay ("CPNP") principle when negotiating FMIC with the fixed network operators in Hong Kong ("FNOs"). CPNP is a fair and reasonable regime as FMIC is payable by the call originating network.

During the six months ended 31 December 2011, the Group issued invoices for FMIC with a total amount of $65,852,000 (2010: $67,144,000) to the interconnecting FNOs and received invoices for FMIC with a total amount of $45,806,000 (2010: $46,392,000) from some interconnecting FNOs. All these invoices were in dispute since the commercial terms for interconnection had not been agreed upon. If the Group fails to agree with any FNO on the commercial terms after a prolonged period of time, either the Group or the FNO may request the Telecommunications Authority to determine the level of FMIC under Section 36A of the Telecommunications Ordinance (Cap 106).

No income or charge in respect of fixed-mobile interconnection has been recognised for the period from 27 April 2009 to 31 December 2011 since it is impracticable to estimate the amount or timing of such income and charge. As at 31 December 2011, the Group had contingent assets and liabilities in respect of FMIC of up to $350,680,000 (30 June 2011: $284,828,000) and $242,785,000 (30 June 2011: $196,979,000) respectively.

14 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2011 and 30 June 2011, or on the Group's profit for the periods ended 31 December 2011 and 2010.

INTERIM DIVIDEND

The directors declared an interim dividend of 46 cents per share for the six months ended 31 December 2011 (2010: 31 cents, adjusted for the 1:1 bonus issue in April 2011). 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 Thursday, 15 March 2012.

The interim dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Friday, 13 April 2012 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Friday, 9 March 2012.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed from Wednesday, 7 March 2012 to Friday, 9 March 2012, both days inclusive, during which period 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 March 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the six months ended 31 December 2011 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 2011. The Committee was satisfied that the accounting polices 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 2011 have not been audited but have been reviewed by the Company's external auditors.

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 2011, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices (the "CG 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 CG Code.

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

Hong Kong, 21 February 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Douglas Li and Mr. Patrick Kai-lung Chan; Non-Executive Directors are Mr. Raymond Ping-luen Kwok, Mr. Wing-yui Cheung, Mr. David Norman Prince, Mr. Wing-chung Yung, Mr. Thomas Hon-wah Siu, Mr. Alfred Wing-kit Tsim and Mr. John Anthony Miller; Independent Non-Executive Directors are Dr. Eric Ka-cheung Li, JP, Mr. Leung-sing Ng, JP, Mr. Xiang-dong Yang and Mr. Eric Fock-kin Gan.