SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2012 / 2013 INTERIM RESULTS ANNOUNCEMENT

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

- Strong growth in the local mobile business, excluding roaming, under challenging economic and market conditions
- Group EBITDA increased 9%, while local mobile EBITDA grew 24%
- Decline in roaming business
- Increased depreciation and amortisation resulting from a new phase of investment in mobile broadband including the 4G LTE network
- EBIT declined 4%
- Net profit decreased 3% to $459 million
- Interim dividend of $0.44 per share, 100% payout
- A strong balance sheet with net cash

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the six months ended 31 December 2012.

Financial Highlights

Total revenue increased by 16% to $5,888 million, with a 2% growth in service revenue, compared to the same period last year. Local mobile service revenue grew 9% while overall service revenue growth was affected by a weak roaming business and the continuing scale down of the wireless fixed broadband business. EBITDA grew 9% to $1,537 million. However, EBIT declined 4% to $615 million due to higher depreciation and amortisation arising from new investment in mobile broadband including the 4G LTE network. Net profit decreased 3% to $459 million.

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 44 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

Group EBITDA increased 9% under challenging economic and market conditions.

The Group's local mobile business registered strong growth in EBITDA of 24% amidst increased market competition, as well as rising costs. In Hong Kong, customer numbers grew by 7% to 1.738 million, reflecting a 9% growth in mobile customer numbers partly offset by the continuing managed reduction of wireless fixed broadband customer numbers. Fully blended ARPU declined by a modest 2% to $272. Average postpaid mobile churn rate was 1.4%.

Highlighting the strength of the Group's Hong Kong mobile business, local postpaid ARPU increased 8%, even as competition intensified with competitors reducing 4G prices to below that of 3G. The Group has extended its market share with a speed-capped 3G price plan targeting customer segments previously under-served by SmarTone. This plan is both revenue and profit positive, with new customers and existing customers upgrading from lower priced plans accounting for 60% and 20% of subscriptions respectively. This lays the foundation for customers to upgrade to true high speed HSPA and 4G broadband in future, as they become accustomed to using data services.

An ongoing structural change in international roaming business has resulted in a significant reduction in global wholesale roaming Inter-Operator Tariffs, though a further significant reduction in IOT is not anticipated. The impact has been exacerbated by reduced roaming traffic as global economic activity slows. The drop in the international roaming business resulted in a reduction of $76 million in the Group's EBITDA.

The Company's scaling down of the wireless fixed broadband business is ongoing, with network capacity released allocated to the more profitable mobile broadband business. As a result the wireless fixed product mix has changed, with a reduced share of wireless fixed broadband customers contributing to the decline in the Group's fully blended ARPU.

Widely recognised for superior network performance in 3G, the Company extended its leadership with the successful launch of its 4G LTE network. Based on the 1800MHz frequency band, the Company's 4G service provides territory-wide coverage with superior in-building radio reception. The 4G LTE network has earned positive reviews from customers and independent commentators alike, and it enables us to provide customers with an even more outstanding mobile broadband experience. Continuing network investment will further extend the Company's leadership as well as increase network capacity.

The Company continues to innovate in proprietary services by capitalising on its unique technical know-how and deep customer insight. It differentiates by focusing on real customer needs with compelling propositions and providing outstanding customer experiences. The Company further demonstrated its entrepreneurial edge with the well-timed introduction of Street View To Go service, which enables the availability of Google Maps app and Street View on OS platforms not supporting them. The Company's forward looking Cloud Storage Manager service enables customers acquire limitless cloud storage for no additional cost and also provides easy and secure content management tools. Many existing services continue to attract new and old customers alike, for example X-Power and Call Guard. X-Power empowers customers to play Flash and other internet video formats on smartphone platforms not supporting them, while Call Guard blocks cold-callers through collaboration between customers. In addition to generating an increase in ARPU and revenue, the Company's unique services deepen customer loyalty and enhance the SmarTone brand.

SmarTone continues to focus on the customer experience at all touch-points, spanning in-store, hotline and online. The Company's focus on delivering the highest level of customer care is reflected in excellent results in retail store and call centre customer satisfaction surveys. Constant improvements in process, systems and training have resulted in 'Good' ratings across all touch points in an average of 95% of responses received throughout 2012. Our outstanding customer care has been corroborated by a major smartphone vendor's independent benchmarking over the past two years.

In Macau, local service revenues continued to grow but overall performance was affected by a decline in roaming revenue.

Prospects

Global economic uncertainty continues to weigh on revenue, while staff, network and rental costs face rising pressure. To mitigate rising costs, on-going operational cost controls and productivity enhancement measures continue to be in force.

The Company will continue to compete by innovating to be more valuable to customers – to meet their real needs and desires and to provide outstanding experiences, empowering them to do more, enjoy more and be more.

The Company is embarking on a new investment phase in mobile broadband with 4G in order to extend its leadership in network performance, with investment in network expected to peak in the current financial year. The Group will continue to innovate to create compelling proprietary services and provide outstanding customer care to its customers.

Appreciation

During the period under review, Mrs. Ip Yeung See-ming, Christine was appointed as Independent Non-executive Director of your Company. I would like to welcome Mrs. Ip 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, 18 February 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the period under review, the Group achieved growth in service revenue and EBITDA over the same period last year despite a weak roaming business and continuing fierce competition. Service revenue grew by 2% to $2,869 million (first half of 2011/12: $2,807 million). EBITDA rose by 9% to $1,537 million (first half of 2011/12: $1,406 million). The Group's mobile business excluding roaming continued to report strong growth, with revenue and EBITDA growth of 9% and 24% respectively. Profit attributable to equity holders of the Company decreased by 3% to $459 million (first half of 2011/12: $475 million).

Revenues rose by $828 million or 16% to $5,888 million (first half of 2011/12: $5,060 million).

- Service revenue rose by $62 million or 2% to $2,869 million (first half of 2011/12: $2,807 million). Local mobile service revenue grew 9% while overall service revenue growth was affected by a weak roaming business and the continuing scale down of the wireless fixed broadband business. The drop in roaming revenue was due to a significant reduction in global wholesale roaming Inter-Operator Tariffs as well as reduced roaming traffic amidst slow global economic activity.

  The Group achieved a 7% year-on-year growth in its Hong Kong customer base, reflecting a 9% growth in mobile customer numbers. Local postpaid mobile ARPU increased 8%, even as competition intensified with competitors reducing 4G prices to below that of 3G. Fully blended ARPU decreased by 2% to $272 (first half of 2011/12: $277) amidst the decline in roaming revenue and the change in product mix of the wireless fixed business with reduced share of higher price wireless fixed broadband customers.

- Handset and accessory sales rose by $766 million or 34% to $3,019 million (first half of 2011/12: $2,253 million) driven by popularity of smart device sales. Both sales volume and average unit selling price increased.

Cost of inventories sold rose by $696 million or 31% to $2,927 million (first half of 2011/12: $2,232 million) broadly in line with the increase in handset and accessory sales.

Staff costs grew by $29 million or 9% to $346 million (first half of 2011/12: $317 million) driven by increase in headcount and salary adjustment.

Other operating expenses fell by $28 million or 3% to $1,078 million (first half of 2011/12: $1,106 million). Increase in network operating costs, rental and utilities and general administrative expenses were offset by lower cost of services provided, and sales and marketing expenses.

Depreciation and loss on disposal increased by $10 million or 4% to $271 million (first half of 2011/12: $261 million). Handset subsidy amortisation rose by $116 million or 25% to $578 million (first half of 2011/12: $463 million) as a result of increase in customer acquisitions and retentions using subsidised handsets, in particular smart devices. Mobile licence fee amortisation rose by $31 million or 76% to $72 million (first half of 2011/12: $41 million) primarily due to the commencement of amortisation charge of licence fee for 850 MHz radio spectrum in May 2012.

Finance income fell by $8 million to $7 million (first half of 2011/12: $15 million) mainly due to a lower return on surplus fund. Finance costs fell by $8 million to $66 million (first half of 2011/12: $74 million) mainly due to lower 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 decreased by $3 million collectively.

Income tax expense amounted to $90 million (first half of 2011/12: $97 million).

Macau operations reported an operating profit of $27 million (first half of 2011/12: $42 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 borrowings. The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) and investments in held-to-maturity debt securities of $1,582 million as at 31 December 2012 (30 June 2012: $1,413 million).

As at 31 December 2012, the Group had bank borrowings of $389 million (30 June 2012: $66 million) of which 83% were denominated in US dollars and were arranged on a fixed rate basis. The bank borrowings denominated in HK dollar are secured by certain assets of the Group and the carrying amount of the pledged assets amounted to $91 million (30 June 2012: $92 million) as at 31 December 2012.

The Group had net cash generated from operating activities and interest received amounted to $1,977 million and $8 million respectively during the period ended 31 December 2012. The Group's major outflows of funds during the period were payments for additions of handset subsidies, purchase of fixed assets, dividend and mobile licence fees.

The Group's current liabilities exceeded its current assets by $876 million as at 31 December 2012 (30 June 2012: $661 million). The growth in subscriptions of handset bundled plans resulted in the 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 non-refundable customer prepayments of $846 million (30 June 2012: $788 million) included in current liabilities, the Group would have net current liabilities of $30 million as at 31 December 2012 (30 June 2012: net current assets of $128 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 2013 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 or invested in investment grade debt securities. Bank deposits are maintained in Hong Kong dollars, United States dollars and other currencies. 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 $6 million as at 31 December 2012 (30 June 2012: $9 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect borrowings denominated in Hong Kong dollar. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, trade payables, bank deposits and bank borrowings denominated in United States dollars. Hong Kong dollar is pegged to United States dollar, and thus foreign exchange exposure is considered minimal. 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 2012 under these performance bonds was $548 million (30 June 2012: $709 million).

Employees and share option scheme

The Group had 2,202 full-time employees as at 31 December 2012 (30 June 2012: 2,116), with the majority of them based in Hong Kong. Total staff costs were $346 million for the period ended 31 December 2012 (first half of 2011/12: $317 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; 475,000 share options were exercised; and 600,000 share options were cancelled or lapsed. 33,422,500 (30 June 2012: 34,497,500) share options were outstanding as at 31 December 2012.

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 2012 and the consolidated balance sheet as at 31 December 2012 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 2012

	Note	Unaudited six months ended 31 December 2012 $000	2011 $000 (Note 13)
Service revenue		**2,869,028**	2,806,754
Handset and accessory sales		**3,019,059**	2,253,267
Revenues	4	**5,888,087**	5,060,021
Cost of inventories sold		**(2,927,251)**	(2,231,638)
Staff costs		**(345,699)**	(316,510)
Other operating expenses		**(1,078,116)**	(1,106,100)
Depreciation, amortisation and loss on disposal		**(921,561)**	(764,316)
Operating profit		**615,460**	641,457
Finance income	5	**6,889**	15,020
Finance costs	6	**(65,897)**	(73,690)
Profit before income tax	7	**556,452**	582,787
Income tax expense	8	**(90,441)**	(97,032)
Profit after income tax		**466,011**	485,755
Attributable to			
Equity holders of the Company		**459,399**	475,342
Non-controlling interests		**6,612**	10,413
		466,011	485,755
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**44.3**	46.2
Diluted		**44.1**	46.1
Interim dividend declared	10	**456,506**	473,702

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2012

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Profit for the period	**466,011**	485,755
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain/(loss) on financial investments, net of tax	**3,006**	(400)
Currency translation differences	**267**	1,966
Other comprehensive income for the period, net of tax	**3,273**	1,566
Total comprehensive income for the period	**469,284**	487,321
Total comprehensive income attributable to		
Equity holders of the Company	**462,672**	476,908
Non-controlling interests	**6,612**	10,413
	469,284	487,321

Condensed Consolidated Balance Sheet
As at 31 December 2012 and 30 June 2012

	Note	**Unaudited 31 December 2012 $000**	Audited 30 June 2012 $000
Non-current assets			
Leasehold land and land use rights		**15,354**	15,650
Fixed assets		**2,894,451**	2,529,922
Interest in an associate		**3**	3
Intangible assets		**2,690,429**	2,601,660
Deposits and prepayments		**99,014**	70,084
Deferred income tax assets		**5,392**	3,670
		5,704,643	5,220,989
Current assets			
Inventories		**183,406**	255,236
Financial investments		**4,904**	82,678
Trade receivables	11	**384,091**	341,311
Deposits and prepayments		**168,313**	157,665
Other receivables		**68,896**	77,380
Pledged bank deposits		**6,269**	8,727
Short-term bank deposits		**68,518**	56,469
Cash and cash equivalents		**1,507,009**	1,268,400
		2,391,406	2,247,866
Current liabilities			
Trade payables	12	**927,508**	615,533
Other payables and accruals		**757,982**	892,104
Current income tax liabilities		**224,021**	174,094
Bank borrowings		**30,477**	-
Customer prepayments and deposits		**915,102**	866,982
Deferred income		**242,416**	192,731
Mobile licence fee liabilities		**169,710**	167,156
		3,267,216	2,908,600
Net current liabilities	2	**(875,810)**	(660,734)
Total assets less current liabilities		**4,828,833**	4,560,255
Non-current liabilities			
Customer prepayments and deposits		**454,688**	347,856
Asset retirement obligations		**62,082**	61,296
Bank borrowings		**358,937**	66,000
Mobile licence fee liabilities		**602,468**	707,187
Deferred income tax liabilities		**235,699**	203,355
		1,713,874	1,385,694
Net assets		**3,114,959**	3,174,561

Condensed Consolidated Balance Sheet
As at 31 December 2012 and 30 June 2012

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Capital and reserves		
Share capital	**103,751**	103,672
Reserves	**2,940,973**	3,007,266
Total equity attributable to equity holders of the Company	**3,044,724**	3,110,938
Non-controlling interests	**70,235**	63,623
Total equity	**3,114,959**	3,174,561

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 units of Hong Kong dollars, unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 18 February 2013.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2012 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by $875,810,000 as at 31 December 2012 (30 June 2012: $660,734,000). 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 $846,210,000 (30 June 2012: $788,373,000) included in current liabilities, the Group would have net current liabilities of $29,600,000 as at 31 December 2012 (30 June 2012: net current assets of $127,639,000). The future funding requirements of the Group are expected to be met through the internal cash resources and available banking facilities. 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 2012, as described in those annual financial statements.

The Hong Kong Institute of Certified Public Accountants amended HKAS 1 "Presentation of Financial Statements". This amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassified to profit or loss subsequently. The amendment is applicable retrospectively to annual periods beginning on or after 1 July 2012. The Group has adopted this amendment for the period ended 31 December 2012.

3 Accounting policies (Continued)

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

There are no other amended standards or interpretations that are effective for the first time of this interim period that are relevant to the Group and could be expected to have a material impact on the Group.

The following new and revised standards, amendments to standards and interpretations to existing standards have been published and are not effective for the financial year beginning 1 July 2012 and have not been early adopted by the Group:

Annual Improvements Project	Annual Improvements 2009-2011 Cycle[1]
HKAS 19 (Amendment)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 1 (Amendment)	First Time Adoption on Government Loans[1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 13	Fair Value Measurements[1]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 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 segments is set out as follows:

(a) Segment results

	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)

(a) Segment results (Continued)

	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

(b) Segment assets

	Hong Kong	Macau	Unallocated	Consolidated
	$000	$000	$000	$000
At 31 December 2012 (Unaudited)	**7,607,914**	**477,836**	**10,299**	**8,096,049**
At 30 June 2012 (Audited)	6,977,768	404,736	86,351	7,468,855

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	
	2012	2011
	$000	$000
Interest income from listed debt securities	**443**	6,384
Interest income from unlisted debt securities	**-**	1,961
Interest income from bank deposits	**6,125**	6,564
Accretion income	**321**	111
	6,889	15,020

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	
	2012	2011
	$000	$000
Interest expense on bank borrowings	**2,411**	2,188
Bank charges for credit card instalment	**15,328**	20,417
Accretion expenses		
Mobile licence fee liabilities	**46,861**	49,865
Asset retirement obligations	**1,297**	1,220
	65,897	73,690

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	
	2012	2011
	$000	$000
Charging:		
Cost of services provided	**235,821**	308,143
Operating lease rentals for land and buildings, transmission sites and leased lines	**431,807**	375,823
Impairment loss of financial investments	**-**	19,591
Impairment loss of trade receivables (note 11)	**8,306**	10,505
Impairment loss of inventories	**10,880**	2,180
Loss on disposal of fixed assets	**1,325**	3,306
Share-based payments	**10,773**	26,073
Crediting:		
Net exchange gain	**644**	524

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 country 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	
	2012	2011
	$000	$000
Current income tax		
Hong Kong profits tax	**55,954**	76,806
Overseas tax	**3,865**	5,452
Deferred income tax	**30,622**	14,774
	90,441	97,032

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	
	2012	2011
Profit attributable to equity holders of the Company ($000)	**459,399**	475,342
Weighted average number of ordinary shares in issue	**1,037,049,769**	1,029,166,351
Basic earnings per share (cents per share)	**44.3**	46.2

(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	
	2012	2011
Profit attributable to equity holders of the Company ($000)	**459,399**	475,342
Weighted average number of ordinary shares in issue	**1,037,049,769**	1,029,166,351
Adjustment for dilutive share options	**4,712,434**	2,833,490
Weighted average number of ordinary shares for diluted earnings per share	**1,041,762,203**	1,031,999,841
Diluted earnings per share (cents per share)	**44.1**	46.1

10 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Interim dividend declared of 44 cents (2011: 46 cents) per share	**456,506**	473,702

At a meeting held on 18 February 2013, the directors declared an interim dividend of 44 cents per share for the year ending 30 June 2013. The interim dividend declared is not reflected as a dividend payable in these Interim Financial Statements, but will be reflected as an appropriation of contributed surplus for the year ending 30 June 2013.

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	
	2012	2011
	$000	$000
Final dividend of 53 cents (2011: 42 cents) per share	**549,714**	432,511

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 2012 $000	Audited 30 June 2012 $000
Current to 30 days	**356,803**	300,119
31 - 60 days	**16,740**	13,834
61 - 90 days	**2,876**	8,977
Over 90 days	**7,672**	18,381
	384,091	341,311

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 $8,306,000 (2011: $10,505,000) for the impairment of its trade receivables during the six months ended 31 December 2012. 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 2012 $000	Audited 30 June 2012 $000
Current to 30 days	**802,104**	472,264
31 - 60 days	**67,055**	121,304
61 - 90 days	**35,039**	3,016
Over 90 days	**23,310**	18,949
	927,508	615,533

13 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 2012 and 30 June 2012, or on the Group's profit for the periods ended 31 December 2012 and 2011.

INTERIM DIVIDEND

The Directors declared an interim dividend of 44 cents per share for the six months ended 31 December 2012 (2011: 46 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 Thursday, 14 March 2013.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing 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 Monday, 15 April 2013 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 5 March 2013.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim dividend is Tuesday, 5 March 2013. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Tuesday, 5 March 2013, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 4 March 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the six months ended 31 December 2012 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 2012. 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 2012 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 2012, the Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" (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
Mak Yau-hing, Alvin
Company Secretary

Hong Kong, 18 February 2013

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. YUNG Wing-chung, 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.