

Hutchison Whampoa Limited



Stock Code: 13



2012 Interim Report

Corporate Information

BOARD OF DIRECTORS

Chairman

LI Ka-shing, GBM, KBE, LLD (Hon), DSSc (Hon)
Commandeur de la Légion d'Honneur
Grand Officer of the Order Vasco Nunez de Balboa
Commandeur de l'Ordre de Léopold

Deputy Chairman

LI Tzar Kuoi, Victor, BSc, MSc, LLD (Hon)

Group Managing Director

FOK Kin Ning, Canning, BA, DFM, CA (Aus)

Executive Directors

CHOW WOO Mo Fong, Susan, BSc
Deputy Group Managing Director

Frank John SIXT, MA, LLL
Group Finance Director

LAI Kai Ming, Dominic, BSc, MBA

KAM Hing Lam, BSc, MBA

Non-executive Director

George Colin MAGNUS, OBE, BBS, MA

Independent Non-executive Directors

The Hon Sir Michael David KADOORIE, GBS, LLD (Hon), DSc (Hon)
Officier de la Légion d'Honneur
Commandeur de l'Ordre de Léopold II
Commandeur de l'Ordre des Arts et des Lettres

Holger KLUGE, BCom, MBA

Margaret LEUNG KO May Yee, JP

William Elkin MOCATTA, FCA
Alternate to Michael David Kadoorie

William SHURNIAK, SOM, LLD (Hon)

WONG Chung Hin, CBE, JP

AUDIT COMMITTEE

WONG Chung Hin (*Chairman*)

Holger KLUGE

William SHURNIAK

REMUNERATION COMMITTEE

WONG Chung Hin (*Chairman*)

LI Ka-shing

Holger KLUGE

COMPANY SECRETARY

Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)

AUDITOR

PricewaterhouseCoopers

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

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Analyses of Core Business Segments by Geographical Location

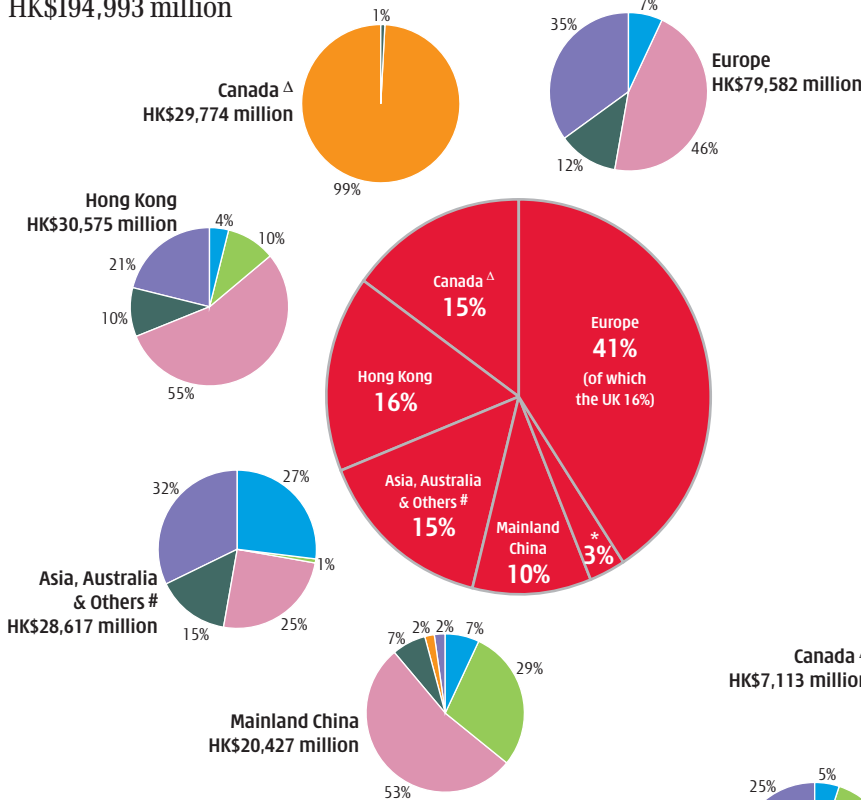
(before profits on disposal of investments & others and property revaluation)

Revenue

for the six months ended 30 June 2012

HK\$194,993 million

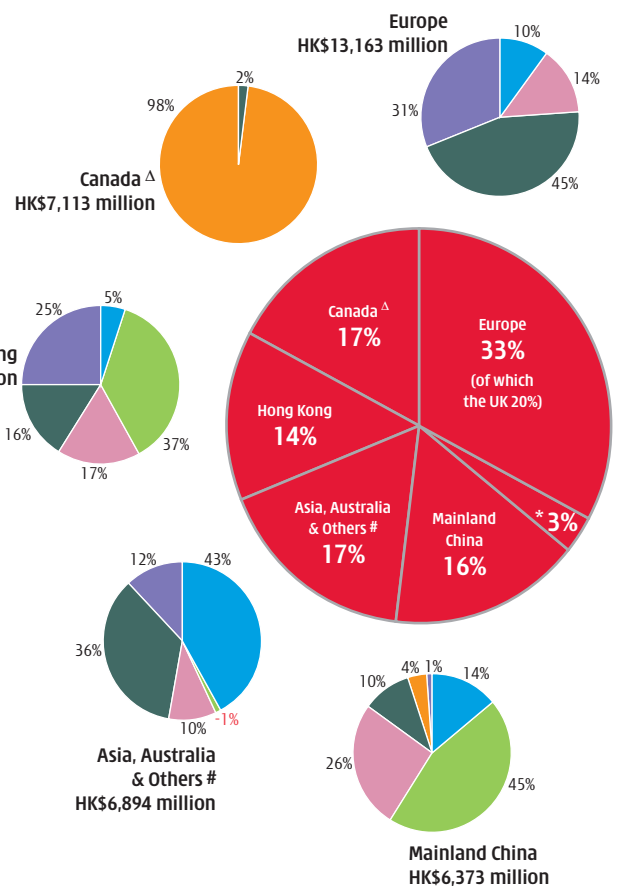
- Ports & Related Services
- Property & Hotels
- Retail
- Infrastructure
- Energy
- Telecommunications



EBITDA

for the six months ended 30 June 2012

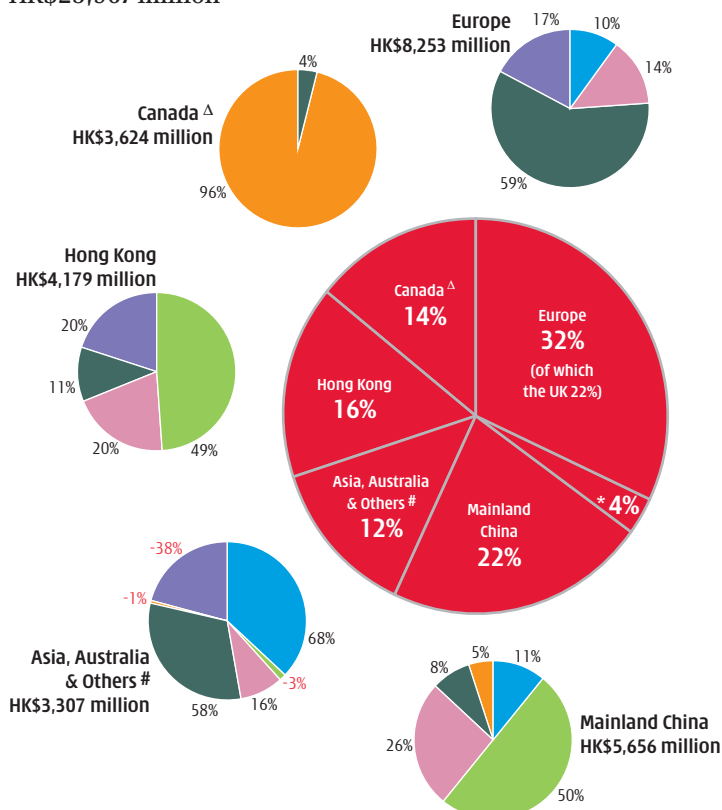
HK\$40,487 million



EBIT

for the six months ended 30 June 2012

HK\$25,967 million



* Represents contributions from Finance & Investments and Others

Includes Panama, Mexico and Middle East

Δ Includes contribution from the USA for Husky Energy

Financial Performance Summary

Note: All comparing against the performance in the first half of 2011 unless indicated otherwise

| | For the six months ended 30 June 2012 HK\$ millions | | For the six months ended 30 June 2011 HK\$ millions | | Change |
|---|--|-------------|--|-------------|-------------|
| | | % | | % | |
| Total revenue ^{(1) (2)} | | | | | |
| Ports and related services | 15,947 | 8% | 15,588 | 8% | 2% |
| <i>Hutchison Ports Group other than HPH Trust operations</i> | 14,617 | 7% | 14,340 | 7% | 2% |
| <i>HPH Trust / HPH Trust operations</i> | 1,330 | 1% | 1,248 | 1% | 7% |
| Property and hotels | 9,211 | 5% | 7,404 | 4% | 24% |
| Retail | 71,059 | 36% | 67,225 | 37% | 6% |
| Cheung Kong Infrastructure | 18,994 | 10% | 14,227 | 8% | 34% |
| Husky Energy ⁽³⁾ | 29,768 | 15% | 29,309 | 16% | 2% |
| Hutchison Telecommunications Hong Kong Holdings | 6,730 | 4% | 6,018 | 3% | 12% |
| Hutchison Asia Telecommunications | 1,628 | 1% | 1,049 | 1% | 55% |
| HTAL (share of joint venture Vodafone Hutchison Australia) | 7,648 | 4% | 8,689 | 5% | -12% |
| 3 Group Europe | 27,990 | 14% | 28,069 | 15% | 0% |
| Finance & Investments and others | 6,018 | 3% | 5,120 | 3% | 18% |
| Total comparable revenue | 194,993 | 100% | 182,698 | 100% | 7% |
| Reconciliation item ⁽²⁾ | - | - | 689 | - | N/A |
| Total reported revenue | 194,993 | 100% | 183,387 | 100% | 6% |
| EBITDA ^{(1) (2)} | | | | | |
| Ports and related services | 5,482 | 13% | 5,063 | 14% | 8% |
| <i>Hutchison Ports Group other than HPH Trust operations</i> | 4,776 | 11% | 4,369 | 12% | 9% |
| <i>HPH Trust / HPH Trust operations</i> | 706 | 2% | 694 | 2% | 2% |
| Property and hotels | 4,981 | 12% | 4,497 | 12% | 11% |
| Retail | 5,198 | 13% | 4,718 | 13% | 10% |
| Cheung Kong Infrastructure | 10,081 | 25% | 8,383 | 22% | 20% |
| Husky Energy | 7,212 | 18% | 8,752 | 23% | -18% |
| Hutchison Telecommunications Hong Kong Holdings | 1,457 | 4% | 1,247 | 3% | 17% |
| Hutchison Asia Telecommunications | (47) | - | (543) | -1% | 91% |
| HTAL (share of joint venture Vodafone Hutchison Australia) | 868 | 2% | 1,094 | 3% | -21% |
| 3 Group Europe | 4,099 | 10% | 3,949 | 10% | 4% |
| Finance & Investments and others | 1,156 | 3% | 66 | - | 1,652% |
| Comparable EBITDA before profits on disposal of investments & others and property revaluation | 40,487 | 100% | 37,226 | 99% | 9% |
| Reconciliation item ⁽²⁾ | - | - | 385 | 1% | N/A |
| Reported EBITDA before profits on disposal of investments & others and property revaluation | 40,487 | 100% | 37,611 | 100% | 8% |
| EBIT ^{(1) (2)} | | | | | |
| Ports and related services | 3,702 | 14% | 3,230 | 14% | 15% |
| <i>Hutchison Ports Group other than HPH Trust operations</i> | 3,283 | 12% | 2,826 | 12% | 16% |
| <i>HPH Trust / HPH Trust operations</i> | 419 | 2% | 404 | 2% | 4% |
| Property and hotels | 4,795 | 19% | 4,296 | 18% | 12% |
| Retail | 3,998 | 15% | 3,555 | 15% | 12% |
| Cheung Kong Infrastructure | 7,863 | 30% | 6,564 | 28% | 20% |
| Husky Energy | 3,725 | 14% | 5,098 | 22% | -27% |
| Hutchison Telecommunications Hong Kong Holdings | 807 | 3% | 685 | 3% | 18% |
| Hutchison Asia Telecommunications | (675) | -2% | (1,011) | -4% | 33% |
| HTAL (share of joint venture Vodafone Hutchison Australia) | (567) | -2% | (142) | -1% | -299% |
| 3 Group Europe | 1,371 | 5% | 909 | 4% | 51% |
| Finance & Investments and others | 948 | 4% | (40) | - | 2,470% |
| Comparable EBIT before profits on disposal of investments & others and property revaluation | 25,967 | 100% | 23,144 | 99% | 12% |
| Reconciliation item ⁽²⁾ | - | - | 378 | 1% | N/A |
| Reported EBIT before profits on disposal of investments & others and property revaluation | 25,967 | 100% | 23,522 | 100% | 10% |
| Interest expenses and finance costs | (7,876) | | (7,034) | | -12% |
| Profit before tax | 18,091 | | 16,488 | | 10% |
| Tax | | | | | |
| Current tax | (3,528) | | (3,849) | | 8% |
| Deferred tax | (1,704) | | (1,331) | | -28% |
| Profit after tax | 12,859 | | 11,308 | | 14% |
| Non-controlling interests and perpetual capital securities holders interests | (3,034) | | (2,593) | | -17% |
| Profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others | 9,825 | | 8,715 | | 13% |
| Property revaluation after tax | 383 | | 401 | | -4% |
| Profit attributable to ordinary shareholders, before profits on disposal of investments and others | 10,208 | | 9,116 | | 12% |
| Profits on disposal of investments and others after tax | - | | 37,180 | | N/A |
| Profit attributable to ordinary shareholders | 10,208 | | 46,296 | | -78% |

Note 1: Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation ("EBITDA") and earnings before interest expenses and other finance costs and tax ("EBIT") include the Group's share of associated companies' and jointly controlled entities' revenue, EBITDA and EBIT respectively.

Note 2: To enable a better comparison of underlying performance for each division, comparable revenue, EBITDA and EBIT for the first six months of 2011 only reflect the Group's attributable share of results based on the effective shareholdings in Hutchison Port Holdings Trust ("HPH Trust") / HPH Trust operations during the first six months of 2012 and EBIT also includes the additional depreciation in the first six months of 2012 on marking HPH Trust's assets to fair value on Initial Public Offering ("IPO"), so that the period-on-period changes can be calculated on a like-for-like basis. The Group's actual effective share during the first six months of 2011 in excess of the Group's share of the respective item based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 as calculated above is included in the Group's total revenue, EBITDA and EBIT respectively. The reconciliation item in the first six months of 2011 represents the Group's actual effective share in excess of the Group's share of the respective item based on the effective shareholdings in HPH Trust operations during the first six months of 2012 as calculated above. In addition, the reconciliation item in EBIT also included the additional depreciation in 2012 on marking HPH Trust's assets to fair value on IPO.

Note 3: Revenue reduced by HK\$3,972 million for the period ended 30 June 2011 due to reclassification adjustments made by Husky Energy to its 2011 reported revenue and expenses following a change in presentation adopted by Husky Energy in 2012.

Consolidated Operating Results

Unaudited Results for the period ended 30 June 2012

| | For the six months ended 30 June 2012 | For the six months ended 30 June 2011 (restated) | Change |
|---|---|---|--------|
| | HK\$ millions | HK\$ millions | |
| Total revenue ^{(1) (2) (3)} | 194,993 | 183,387 | +6% |
| EBITDA ^{(1) (2)} | 40,487 | 37,611 | +8% |
| EBIT ^{(1) (2)} | 25,967 | 23,522 | +10% |
| Profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others | 9,825 | 8,715 | +13% |
| Property revaluation after tax | 383 | 401 | -4% |
| Profit attributable to ordinary shareholders, before profits on disposal of investments and others | 10,208 | 9,116 | +12% |
| Profits on disposal of investments and others after tax | - | 37,180 | N/A |
| Profit attributable to ordinary shareholders | 10,208 | 46,296 | -78% |
| No profits on disposal of investments and others were recorded in 2012. Profits on disposal of investments and others in 2011 were HK\$37,180 million, primarily due to the IPO of the HPH Trust. | | | |
| Earnings per share | HK\$2.39 | HK\$10.86 | -78% |
| Recurring earnings per share ⁽⁴⁾ | HK\$2.30 | HK\$2.04 | +13% |
| Interim dividend per share | HK\$0.55 | HK\$0.55 | - |

Note 1: Total revenue, EBITDA and EBIT include the Group's share of associated companies' and jointly controlled entities' revenue, EBITDA and EBIT respectively.

Note 2: To enable a better comparison of underlying performance for each division, comparable revenue, EBITDA and EBIT for the first six months of 2011 only reflect the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 and EBIT also includes the additional depreciation in the first six months of 2012 on marking HPH Trust's assets to fair value on IPO so that the period-on-period changes can be calculated on a like-for-like basis. The Group's actual effective share during the first six months of 2011 in excess of the Group's share of the respective item based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 as calculated above is included in the Group's total revenue, EBITDA and EBIT respectively.

Note 3: Revenue reduced by HK\$3,972 million for the period ended 30 June 2011 due to reclassification adjustments made by Husky Energy to its 2011 reported revenue and expenses following a change in presentation adopted by Husky Energy in 2012.

Note 4: Recurring earnings per share are calculated based on profit attributable to ordinary shareholders excluding the profits on investment property revaluation after tax and disposal of investments and others after tax.

- Total revenue grew 6% to HK\$194,993 million.
- EBITDA and EBIT, before property revaluation gains and profits on disposal of investments and others, grew 8% and 10% respectively.
- Profit attributable to ordinary shareholders and earnings per share, before property revaluation gains and profits on disposal of investments and others, grew 13%.

Chairman's Statement

The Group's operations continued to perform well in the first half of 2012 despite deteriorating global economic conditions that affect many of the markets and sectors in which we operate to varying degrees. The Group's businesses demonstrated resilience with all major operating divisions reporting recurring revenue, earnings and cash flow growth excepting only our associate Husky Energy Inc. ("Husky Energy") and joint venture Vodafone Hutchison Australia ("VHA").

Results

Excluding the profits on investment property revaluation after tax for both periods and the disposal of investments and others of HK\$37,180 million for the first half of 2011, the recurring profit attributable to ordinary shareholders was 13% higher than the results in the first half of 2011 and recurring earnings per share were HK\$2.30.

No profits on disposal of investments and others were recorded in the first half of 2012. Profit attributable to ordinary shareholders for the first half of 2012 was HK\$10,208 million. Profits on disposal of investments and others in the first half of 2011 were HK\$37,180 million primarily due to the IPO of the HPH Trust. Profit attributable to shareholders for the first half of 2011 was HK\$46,296 million.

Dividends

The Board declares the payment of an interim dividend of HK\$0.55 per share (30 June 2011 - HK\$0.55 per share), payable on Friday, 14 September 2012 to those persons registered as shareholders of the Company on Thursday, 13 September 2012. The register of members of the Company will be closed from Thursday, 6 September 2012 to Thursday, 13 September 2012, both days inclusive.

Ports and Related Services

The ports and related services division, which includes the Group's 80% interest in Hutchison Ports group of companies and its 27.6% interest in the HPH Trust/HPH Trust operations, reported a 2% increase in throughput to 37.0 million twenty-foot equivalent units during the first six months of 2012. Total revenue⁽²⁾ of HK\$15,947 million, EBITDA⁽²⁾ of HK\$5,482 million and EBIT⁽²⁾ of HK\$3,702 million were 2%, 8% and 15% higher respectively when compared on a like-for-like basis⁽²⁾ to the same period last year.

During the first half of 2012, the division acquired a 100% interest in Hutchison Ajman International Terminals in the United Arab Emirates. The new berth at Brisbane, Australia will commence operations in the fourth quarter of 2012, and two berths at Sydney are expected to come into operation in 2013. The first berth of Huizhou International Container Terminal will also commence operations in 2012. The new semi-automated terminal, Terminal Catalunya in Barcelona, Spain handled its first vessel in July 2012. The terminal is scheduled to be fully operational in 2013. A new additional berth at Westport Malaysia is expected to commence operations by the end of 2012.

Going forward, the ports and related services division will continue to focus on productivity gains, cost efficiency and selective new berth acquisition and development opportunities.

Property and Hotels

The property and hotels division reported total revenue of HK\$9,211 million, a 24% increase compared to the first six months of 2011. EBITDA and EBIT increased 11% and 12% to HK\$4,981 million and HK\$4,795 million respectively.

The division's investment property portfolio comprises an attributable 12.0 million square foot portfolio of rental properties in Hong Kong and an attributable share of 2.5 million square foot portfolio in the Mainland and overseas. Reported gross rental income declined by 7% due to the sale of Beijing Oriental Plaza to Hui Xian REIT in April 2011, as well as the disposal of Belvedere Garden and Provident Centre at the end of 2011. Excluding the contributions from the investment properties disposed of, the division reported income in the first half of 2012 that was marginally higher than that for the same period in 2011. Our portfolio is of a high quality and is well located, and I expect the division will continue to perform well in the second half of 2012 despite pressure on office rentals in Hong Kong.

The division's hotel portfolio of over 8,500 rooms in 11 hotels (the Group's attributable interest is approximately 5,300 rooms), reported strong revenue growth and very strong earnings growth. This reflects both healthy tourist arrivals in Hong Kong as well as continued focus on productivity and cost efficiency.

Our residential property development activities are principally focused on the Mainland, where Government initiatives aimed at preventing residential property price inflation continue to adversely affect market sentiment in the period. During the first six months of 2012, we completed an attributable share of approximately 4.1 million square feet in gross floor area ("GFA") of residential and commercial properties. In addition, the Group achieved contracted sales of an attributable interest of approximately 3.2 million square feet in GFA during the period and recognised property sales of an attributable interest of approximately 2.5 million square feet of developed properties. The division's current attributable landbank is approximately 95 million developable square feet, largely held through jointly controlled entities with Cheung Kong (Holdings) Limited. We expect to complete an additional attributable share of approximately 6.8 million square feet in gross floor area of residential and commercial properties during the second half of 2012 in Hong Kong as well as in 12 cities in the Mainland including Chengdu, Chongqing, Dongguan, Tianjin and Xian.

Retail

The retail division delivered a very strong contribution to revenue, cashflow and earnings growth during the first half of 2012. Total revenue of HK\$71,059 million was 6% higher than that for the same period last year. EBITDA increased 10% to HK\$5,198 million and EBIT increased 12% to HK\$3,998 million.

Despite the deteriorating economic conditions in Europe, the division's operations maintained growth in total sales, like-for-like sales and operating margin overall and in most major markets.

The division continued to report strong growth in Asia. The number of stores for the AS Watson Group worldwide now exceeds 10,200 in 33 markets.

Looking into the second half of 2012 and beyond, I expect the AS Watson Group to continue to expand its portfolio of retail stores.

Cheung Kong Infrastructure

Cheung Kong Infrastructure Holdings Limited ("CKI"), our Hong Kong listed subsidiary, announced revenues (including its share of jointly controlled entities' revenue) of HK\$2,798 million and profit attributable to shareholders of HK\$4,686 million, a growth of 17% and 18% respectively over the same period last year.

CKI's investment in Northumbrian Water Group Limited, which completed in October 2011, provided accretive profit contribution, together with higher contribution from UK Power Networks, resulted in an increase in CKI's reported earnings and a corresponding increased contribution to the Group in the first half of 2012.

CKI will continue to grow existing operations organically and to acquire businesses with strong and recurrent returns to expand its portfolio and to maintain its strong balance sheet with steady cashflow and low gearing.

In July 2012, joint venture companies formed by CKI and its associated company, Power Assets Holdings Limited, together with Cheung Kong (Holdings) Limited and Li Ka Shing Foundation Limited with respective shareholdings of 30%, 30%, 30% and 10%, entered into a share purchase agreement for the acquisition of MGN Gas Networks (UK) Limited ("MGN"). MGN indirectly holds the entire issued share capital of Wales and West Utilities Limited, which is principally engaged in the management of gas transportation assets, gas distribution and meter work services throughout Wales and the South West of England. Total acquisition consideration of this transaction is GBP645 million (approximately HK\$7,753 million). The completion of this transaction will be conditional on regulatory approval.

Husky Energy

Husky Energy, our associated company listed in Canada, announced revenues, net of royalties, of C\$11,373 million for the first six months of 2012, 8% higher than C\$10,568 million as restated for the first half of 2011. Average production in the first six months of 2012 was 301,000 barrels of oil equivalent per day ("BOEs per day") compared to 311,000 BOEs per day in the first six months of 2011. Production in the first six months of 2012 was mainly impacted by lower crude oil production in the Atlantic Region due to the planned maintenance of the SeaRose and Terra Nova Floating, Production, Storage and Offloading vessels. Net earnings of C\$1,022 million in the first six months of 2012 were 21% lower than the same period last year mainly due to the gain on the sale of non-core assets and a property swap in the first half of 2011. Excluding this after-tax exceptional gain of C\$198 million, net earnings decreased 7% compared to the same period in 2011. The decrease is mainly due to lower production as a result of the Atlantic Region planned offstation turnarounds, lower commodity prices and refined product margins. The impacts of wider product and Western Canada location differentials were offset by the integration of Infrastructure and Marketing and Downstream operations.

Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed subsidiary operating in Hong Kong and in Macau announced revenue of HK\$6,730 million, an increase of 12% over the same period last year. EBITDA of HK\$1,457 million and EBIT of HK\$807 million, increased 17% and 18% respectively over the same period last year. The announced profit attributable to shareholders was HK\$568 million and earnings per share for the first half of 2012 were 11.79 HK cents, an increase of 15% compared to the same period last year.

HTHKH has a leading market share in its mobile businesses. As of 30 June 2012, active mobile customers were over 3.6 million in Hong Kong and Macau. Fixed line operations achieved a steady growth with increasing data traffic across all market segments in Hong Kong.

In May 2012, HTHKH's mobile operation launched Long Term Evolution ("LTE") services in Hong Kong and has acquired additional spectrum to ensure it is able to continue to lead in providing ultra high speed data services in mobility.

Hutchison Asia Telecommunications

As of 30 June 2012, Hutchison Asia Telecommunications ("HAT") had a customer base of over 37.2 million and reported total revenue of HK\$1,628 million, LBITDA of HK\$47 million and LBIT of HK\$675 million.

HAT will continue to expand its network and services in Indonesia and Sri Lanka.

Share of joint venture Vodafone Hutchison Australia

Hutchison Telecommunications (Australia) ("HTAL"), our listed subsidiary in Australia, announced its 50% share of VHA's total revenue of A\$1,035 million for the first six months of 2012, 9% lower than the same period last year. HTAL's loss attributable to shareholders was A\$131 million, a 68% increase compared to same period last year.

HTAL continues to be affected by the poor performance of its joint venture, VHA, where despite significant network and operational improvements, challenging market conditions and continuing poor public perception of VHA have led to a continuing deterioration in the operating and financial performance in the first half of 2012. Although the management team is committed to achieving improvements, an increased loss, including the cost of restructuring activities, is now expected for the second half of the year.

3 Group Europe

The Group's registered 3G customer base in Europe increased 3% during the period and currently totals over 22.2 million customers. 3 Group operations in Europe reported total revenue of HK\$27,990 million, which remained steady compared to the same period in 2011, while EBITDA and EBIT grew by 4% and 51% to HK\$4,099 million and HK\$1,371 million respectively. The reported growth in Hong Kong dollars has been adversely affected by the depreciation of the local currencies of the 3 Group Europe operations against the Hong Kong dollar. In local currencies, 3 Group Europe's total revenue grew by 6% due to the improved mix of higher value contract customers and its growing market share of the smartphone segment, which also led to a higher margin contribution. Together with stringent cost controls, EBITDA and EBIT grew by 11% and 66% in local currencies respectively, reflecting solid improvements in the underlying operating results of the 3 Group Europe operations.

Although economic conditions in Europe deteriorated during the first half, 3 Group Europe maintained good growth momentum. All 3 Group Europe companies seek to maintain leadership in network quality of service, and in particular data service access and speeds. Commercially, they remain focused on the acquisitions of high value and high margin contract customers. Operationally, the Group maintains strict cost and spending disciplines with a view to achieving maximum operating leverage. Benefits from further lowering of mobile termination rates in the UK and Italy, together with the pending completion of the transition to a non-subsidised handset model in its customer base, are expected to favourably impact profitability in the second half of the year and significantly improve the contributions of 3 Group Europe to the Group's overall results going forward.

Finance & Investments and Others

Contribution from this division represents returns earned on the Group's holdings of cash and liquid investments as well as results of other small operating units. The increase in contribution in the first six months of 2012 was mainly due to higher foreign exchange gains realised in 2012 and higher overall interest income as well as savings in operating expenses.

During the first six months of 2012, the Group raised HK\$60,708 million from the debt and capital markets and issues of shares by a subsidiary and repaid debts as they matured and repaid early certain other long-term borrowings and notes totalling HK\$20,227 million. At 30 June 2012, the Group's consolidated cash and liquid investments totalled HK\$116,518 million and consolidated debt amounted to HK\$240,318 million, resulting in consolidated net debt of HK\$123,800 million and net debt to net total capital ratio of 22.8% at 30 June 2012. The Group's consolidated cash and liquid investments as at 30 June 2012 was sufficient to repay all outstanding debt maturing through 2014 and approximately 70% of debt maturing in 2015.

Outlook

In the first half, deteriorating economic conditions affected many of the markets and geographies in which we operate to varying degrees. Our core businesses and operations, which are spread over 53 countries, demonstrated resilience and maintained operating profit growth. The Group's operations in Europe, which are weighted in the UK and Western Europe and in ports, utilities, mass market health and beauty, as well as mobile telecommunications continued to grow in revenue, recurrent earnings and cash flow contributions. Despite the difficult economic situation in Europe and continued uncertainty in the global financial markets in the second half, barring unforeseen material adverse circumstances, I expect that the Group's business performance will continue to improve. The Group is well positioned for continued growth and will continue to invest and expand its core businesses. I have full confidence in the Group's outlook and future development.

I would like to thank the Board of Directors and all our dedicated employees around the world for their continued loyalty, diligence, professionalism, and contributions to the Group.

Li Ka-shing

Chairman

Hong Kong, 2 August 2012

Operations Highlights

Ports and Related Services

| | 30 June 2012 HK\$ millions | 30 June 2011 ⁽¹⁾ HK\$ millions | Change | Change in local currency |
|---------------|-------------------------------|--|--------|-----------------------------|
| Total revenue | 15,947 | 15,588 | +2% | +6% |
| EBITDA | 5,482 | 5,063 | +8% | +12% |
| EBIT | 3,702 | 3,230 | +15% | +18% |

Contributed 8%, 13% and 14% respectively to total revenue, EBITDA and EBIT of the Group.

| | Change |
|---|--------|
| Major contributors to the division's overall 2% throughput growth during the first six months of 2012 are as follows: | |
| HPH Trust/HPH Trust operations | +4% |
| Asia, Australia and others | +6% |
| <i>partially offset by:</i> | |
| Europe | -4% |
| The Mainland and Hong Kong | -3% |
| Major contributors to the division's overall 8% EBITDA increase were: | |
| Asia, Australia and others | +13% |
| Europe | +4% |
| Major contributors to the division's overall 15% EBIT increase were: | |
| Asia, Australia and others | +16% |
| Europe | +9% |

Note 1: To enable a better comparison of underlying performance for each division, comparable revenue, EBITDA and EBIT for the first six months of 2011 only reflect the Group's attributable share of results based on the effective shareholdings in HPH Trust/HPH Trust operations during the first six months of 2012 and EBIT also includes the additional depreciation in the first six months of 2012 on marking HPH Trust's assets to fair value on IPO, so that the period-on-period changes can be calculated on a like-for-like basis. The Group's actual effective share during the first six months of 2011 in excess of the Group's share of the respective item based on the effective shareholdings in HPH Trust/HPH Trust operations during the first six months of 2012 as calculated above is included in the Group's total revenue, EBITDA and EBIT respectively.

Property and Hotels

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 9,211 | 7,404 | +24% |
| EBITDA | 4,981 | 4,497 | +11% |
| EBIT | 4,795 | 4,296 | +12% |

Contributed 5%, 12% and 19% respectively to total revenue, EBITDA and EBIT of the Group.

EBITDA from investment properties totalled HK\$1,641 million in the first half of 2012, a 9% decrease due to the disposals of certain investment properties during 2011. Excluding these disposals, EBITDA remained stable.

EBITDA from hotel operations increased by 19% to HK\$618 million as compared to the first six months of 2011, primarily due to higher occupancy and average room rates in most hotels in Hong Kong, which have benefitted from Mainland visitors, as well as an improvement in results from operations in the Bahamas.

EBITDA from development properties, gains on disposals and others grew by 26% to HK\$2,722 million in the first half of 2012.

The Group's current attributable landbank (including direct interests and its proportionate share of interests held by joint ventures, associated companies and jointly controlled entities) can be developed into 95 million square feet of mainly residential property, of which 97% is situated in the Mainland and 3% in the UK and Singapore. This landbank comprises 50 projects in 24 cities and is expected to be developed in phases over several years. The timing of development, sales and completion for these projects will continue to be affected by Government policies aimed at controlling residential property price inflation.

Retail

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change | Change in local currency |
|---------------|--------------------------------------|-------------------------------|--------|-----------------------------|
| Total revenue | 71,059 | 67,225 | +6% | +10% |
| EBITDA | 5,198 | 4,718 | +10% | +14% |
| EBIT | 3,998 | 3,555 | +12% | +16% |

Contributed 36%, 13% and 15% respectively to total revenue, EBITDA and EBIT of the Group.

Comparable Store Sales Growth (%) - in local currency

| | 30 June 2012 | 30 June 2011 |
|--|---------------------|--------------|
| Health & Beauty China | 2.6% | 10.4% |
| Health & Beauty Asia | 6.6% | 6.8% |
| Health & Beauty Europe | 4.4% | 3.5% |
| Luxury Europe | 0.1% | -0.6% |
| Retail Others (includes PARKnSHOP, Fortress, Watsons Wine & Nuance-Watson) and Manufacturing | 7.7% | 11.4% |
| Total Retail | 4.8% | 5.7% |
| - Asia | 6.5% | 10.0% |
| - Europe | 3.5% | 2.6% |

Cheung Kong Infrastructure⁽²⁾, subsidiary listed on The Stock Exchange of Hong Kong Limited

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 18,994 | 14,227 | +34% |
| EBITDA | 10,081 | 8,383 | +20% |
| EBIT | 7,863 | 6,564 | +20% |

Contributed 10%, 25% and 30% respectively to total revenue, EBITDA and EBIT of the Group.

In February and March 2012, CKI raised approximately HK\$2,291 million and HK\$2,307 million by issuing new perpetual capital securities and new shares respectively. Following these issuances, the Group's interest in CKI reduced from approximately 81.5% as at 31 December 2011 to approximately 79.8% as at 30 June 2012 (which excludes the shares issued to and held by the fiduciary in connection with the issue of perpetual capital securities as mentioned above).

Note 2: After the Group's asset valuation consolidation adjustments.

Husky Energy⁽³⁾, associated company listed on Toronto Stock Exchange

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions ⁽⁴⁾ | Change | Change in local currency |
|---------------|--------------------------------------|--|--------|-----------------------------|
| Total revenue | 29,768 | 29,309 | 2% | 5% |
| EBITDA | 7,212 | 8,752 | -18% | -15% |
| EBIT | 3,725 | 5,098 | -27% | -24% |

The Group's share of Husky Energy's results contributed 15%, 18% and 14% respectively to total revenue, EBITDA and EBIT of the Group.

Note 3: After the Group's asset valuation consolidation adjustments.

Note 4: Revenue reduced by HK\$3,972 million for the period ended 30 June 2011 due to reclassification adjustments made by Husky Energy to its 2011 reported revenue and expenses following a change in presentation adopted by Husky Energy in 2012.

Hutchison Telecommunications Hong Kong Holdings⁽⁵⁾, subsidiary listed on The Stock Exchange of Hong Kong Limited

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 6,730 | 6,018 | +12% |
| EBITDA | 1,457 | 1,247 | +17% |
| EBIT | 807 | 685 | +18% |

Contributed 4%, 4% and 3% respectively to each of total revenue, EBITDA and EBIT of the Group.

Note 5: After the Group's consolidation and reclassification adjustments.

Hutchison Asia Telecommunications

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 1,628 | 1,049 | +55% |
| LBITDA | (47) | (543) | +91% |
| LBIT | (675) | (1,011) | +33% |

Contributed 1% to total revenue of the Group and negative 0.1% and 2% respectively to EBITDA and EBIT of the Group.

HTAL⁽⁶⁾, 50% share of joint venture Vodafone Hutchison Australia and a subsidiary listed on Australian Securities Exchange

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change | Change in local currency |
|---------------|--------------------------------------|-------------------------------|--------|-----------------------------|
| Total revenue | 7,648 | 8,689 | -12% | -11% |
| EBITDA | 868 | 1,094 | -21% | -20% |
| LBIT | (567) | (142) | -299% | -305% |

Contributed 4% and 2% respectively to total revenue and EBITDA of the Group and a negative 2% to EBIT of the Group.

| | 30 June 2012 | Variance ⁽⁷⁾ |
|--|---------------------|-------------------------|
| Prepaid customers ('000) ⁽⁸⁾ | 2,633 | -5% |
| Postpaid customers ('000) ⁽⁸⁾ | 4,211 | -1% |
| Total customers ('000) ⁽⁸⁾ | 6,844 | -3% |
| Prepaid ARPU ⁽⁹⁾ | A\$26.81 | -3% |
| Postpaid ARPU ⁽⁹⁾ | A\$62.62 | -6% |
| Blended Total ARPU ⁽⁹⁾ (of which 43% non-voice) | A\$49.31 | -4% |

Note 6: After the Group's consolidation and reclassification adjustments.

Note 7: Percentage variance compared to 31 December 2011.

Note 8: Active customers including customers of mobile virtual network operators ("MVNOS").

Note 9: 12-month trailing average revenue per active user ("ARPU") equals total monthly tariff revenue divided by the average number of active customers during the period, where an active customer is one that has generated revenue from either an outgoing call, incoming call or 3G service in the preceding three months.

3 Group Europe

| | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions | Change | Change in local currency |
|---------------|--------------------------------------|-------------------------------|--------|-----------------------------|
| Total revenue | 27,990 | 28,069 | -0.3% | +6% |
| EBITDA | 4,099 | 3,949 | +4% | +11% |
| EBIT | 1,371 | 909 | +51% | +66% |

Contributed 14%, 10% and 5% respectively to total revenue, EBITDA and EBIT of the Group.

3 Group Europe Overall

| | 30 June 2012 | 30 June 2011 |
|--|---------------------|--------------|
| Contract customers as a percentage of total registered customer base | 54% | 50% |
| Average monthly customer churn rate of total registered contract customer base | 1.7% | 2.0% |
| Active contract customers as a percentage of total registered contract customer base | 97% | 97% |
| Active customers as a percentage of total registered customer base | 77% | 74% |
| Weighted average per customer acquisition cost, on a 12-month trailing average basis | €133 | €95 |

ARPU, on a 12-month trailing average active customer basis, overall decreased by 1% to €23.99 compared to the full year 2011 ARPU of €24.14, mainly reflecting the impact of the reduced regulated mobile termination rates and price competition, partly offset by an improving mix of higher-value, smartphone customers added to the 3 Group Europe's customer base.

Key Business Indicators

| | Customer Base | | | | | |
|-----------------------------|--|---------------|---------------|--|-----------|-------------|
| | Registered Customers at 30 June 2012 ('000) | | | Registered Customer Growth (%) from 31 December 2011 to 30 June 2012 | | |
| | Prepaid | Postpaid | Total | Prepaid | Postpaid | Total |
| UK | 3,610 | 4,837 | 8,447 | -2% | 9% | 4% |
| Italy | 5,485 | 3,783 | 9,268 | -5% | 10% | 1% |
| Sweden | 161 | 1,314 | 1,475 | 1% | 9% | 8% |
| Denmark | 189 | 640 | 829 | 24% | 2% | 6% |
| Austria | 435 | 1,061 | 1,496 | 20% | 8% | 11% |
| Ireland ⁽¹⁰⁾ | 367 | 348 | 715 | -23% | 7% | -11% |
| 3 Group Europe Total | 10,247 | 11,983 | 22,230 | -3% | 8% | 3% |

| | 12-month Trailing Average Revenue per Active User ("ARPU") ⁽¹¹⁾ to 30 June 2012 | | | | | | |
|---|--|---------------|------------------|---|------------------|--------------------|--|
| | Total | | | | Non-voice | | |
| | Prepaid | Postpaid | Blended Total | % Variance compared to 31 December 2011 | ARPU | % of total ARPU | |
| UK | £7.66 | £28.29 | £21.66 | -1% | £10.40 | 48% | |
| Italy | €7.57 | €29.68 | €19.02 | -4% | €7.95 | 42% | |
| Sweden | SEK102.92 | SEK317.42 | SEK302.09 | -2% | SEK127.83 | 42% | |
| Denmark | DKK153.68 | DKK266.09 | DKK245.13 | -7% | DKK131.29 | 54% | |
| Austria | €11.38 | €23.98 | €22.77 | 2% | €11.20 | 49% | |
| Ireland | €16.47 | €38.58 | €31.86 | 3% | €18.16 | 57% | |
| 3 Group Europe Average | €8.77 | €31.93 | €23.99 | -1% | €11.07 | 46% | |
| 3 Group Europe Average (without FX impact) | €8.69 | €31.53 | €23.70 | -2% | €10.94 | 46% | |

Note 10: 3 Ireland's number of prepaid customers reduced by 23% due to the removal of inactive customers from its registered customer base. This has resulted in the percentage of active customers increasing from 50% as at 31 December 2011 to 60% as at 30 June 2012.

Note 11: ARPU equals total monthly tariff revenue divided by the average number of active customers during the period, where an active customer is one that has generated revenue from either an outgoing call, incoming call or 3G service in the preceding three months.

UK

| | 30 June 2012 GBP millions | 30 June 2011 GBP millions | Change |
|---------------|-------------------------------------|------------------------------|--------|
| Total revenue | 918 | 874 | +5% |
| EBITDA | 109 | 94 | +16% |
| EBIT | 26 | 12 | +117% |

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|--------------|
| Total registered customer base (millions) | 8.4 | 7.4 |
| Contract customers as a % of total registered customer base | 57% | 54% |
| Contract customers contribution to the customer services revenue base (%) | 86% | 86% |
| Average monthly churn rate of total contract registered customer base (%) | 1.4% | 1.9% |
| Active contract customers as a % of total contract registered customer base | 97% | 97% |
| Active customers as a % of total registered customer base | 81% | 77% |

3 UK's strong underlying performance during the period reflects the growth in customer base, as well as a favourable change in mobile termination rates from the reduced symmetrical incoming and outgoing call rates which commenced in April 2012.

3 UK is expected to continue its growth momentum in the second half of the year with continued customer base growth.

Italy

| | 30 June 2012 EURO millions | 30 June 2011 EURO millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 920 | 870 | +6% |
| EBITDA | 136 | 106 | +28% |
| EBIT | 2 | 1 | +100% |

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|--------------|
| Total registered customer base (millions) | 9.3 | 9.1 |
| Contract customers as a % of total registered customer base | 41% | 36% |
| Contract customers contribution to the customer services revenue base (%) | 82% | 79% |
| Average monthly churn rate of total contract registered customer base (%) | 2.4% | 2.7% |
| Active contract customers as a % of total contract registered customer base | 95% | 97% |
| Active customers as a % of total registered customer base | 71% | 69% |

3 Italy continued to be adversely affected by the reduction in incoming mobile termination rates while the outgoing rates remained at a high level during the period. Despite the adverse regulatory and economic environment, **3** Italy was able to maintain its profitability through stringent cost controls and benefitting from the renegotiation of certain network service contracts.

Looking forward to the second half of the year, the regulated mobile termination rates further reduced in July 2012 from €6.3 cents to €3.5 cents for incoming calls and from €5.3 cents to €2.5 cents for outgoing calls. Consequently, **3** Italy is expected to benefit from a lower cost base, which will enhance its customer services margin.

Sweden

| | 30 June 2012 SEK millions | 30 June 2011 SEK millions | Change |
|---------------|-------------------------------------|------------------------------|--------|
| Total revenue | 3,125 | 2,782 | +12% |
| EBITDA | 863 | 999 | -14% |
| EBIT | 588 | 743 | -21% |

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|--------------|
| Total registered customer base (millions) | 1.5 | 1.3 |
| Contract customers as a % of total registered customer base | 89% | 87% |
| Contract customers contribution to the customer services revenue base (%) | 97% | 97% |
| Average monthly churn rate of total contract registered customer base (%) | 1.4% | 1.7% |
| Active contract customers as a % of total contract registered customer base | 100% | 100% |
| Active customers as a % of total registered customer base | 96% | 95% |

Denmark

| | 30 June 2012 DKK millions | 30 June 2011 DKK millions | Change |
|---------------|-------------------------------------|------------------------------|--------|
| Total revenue | 1,043 | 1,174 | -11% |
| EBITDA | 289 | 310 | -7% |
| EBIT | 159 | 181 | -12% |

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|--------------|
| Total registered customer base | 829,000 | 695,000 |
| Contract customers as a % of total registered customer base | 77% | 83% |
| Contract customers contribution to the customer services revenue base (%) | 85% | 93% |
| Average monthly churn rate of total contract registered customer base (%) | 3.2% | 3.0% |
| Active contract customers as a % of total contract registered customer base | 100% | 100% |
| Active customers as a % of total registered customer base | 98% | 99% |

3 Sweden and 3 Denmark continue to contribute positively to the Group's net earnings for the first half of the year.

Austria

| | 30 June 2012 EURO millions | 30 June 2011 EURO millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 166 | 152 | +9% |
| EBITDA | 19 | 19 | N/A |
| EBIT | 2 | 1 | +100% |

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|--------------|
| Total registered customer base (millions) | 1.5 | 1.2 |
| Contract customers as a % of total registered customer base | 71% | 75% |
| Contract customers contribution to the customer services revenue base (%) | 93% | 95% |
| Average monthly churn rate of total contract registered customer base (%) | 0.2% | 0.3% |
| Active contract customers as a % of total contract registered customer base | 99% | 99% |
| Active customers as a % of total registered customer base | 78% | 81% |

Regulatory approvals for the acquisition of Orange Austria and a subsequent onward sale of the Yess! brand and certain other assets to Telekom Austria Group are still progressing. The anticipated completion date is in the fourth quarter of this year.

Ireland

| | 30 June 2012 EURO millions | 30 June 2011 EURO millions | Change |
|---------------|--------------------------------------|-------------------------------|--------|
| Total revenue | 83 | 71 | +17% |
| LBITDA | (15) | (17) | +12% |
| EBIT (LBIT) | 17 | (30) | +157% |

| | 30 June 2012 | 30 June 2011 |
|---|---------------------|--------------|
| Total registered customer base | 715,000 | 699,000 |
| Contract customers as a % of total registered customer base | 49% | 42% |
| Contract customers contribution to the customer services revenue base (%) | 81% | 81% |
| Average monthly churn rate of total contract registered customer base (%) | 1.3% | 1.4% |
| Active contract customers as a % of total contract registered customer base | 83% | 86% |
| Active customers as a % of total registered customer base | 60% | 50% |

EBIT in the period includes a one-time net gain of €45 million from a network sharing arrangement, which includes a benefit of €206 million from future cost savings arising from a right to share another Irish operator's mobile network, partially offset by a €161 million one-time provision mainly related to the restructuring of 3 Ireland's network infrastructure.

This network sharing arrangement is expected to deliver substantial future cost savings to the operation along with a platform for a faster network expansion.

Group Capital Resources and Other Information

Group Capital Resources and Liquidity

Treasury Management

The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group uses interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

Cash Management and Funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

Interest Rate Exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British Pound, Euro and HK dollar borrowings.

At 30 June 2012, approximately 26% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 74% were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK\$75,053 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK\$4,011 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 56% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 44% were at fixed rates at 30 June 2012.

Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the period, the currencies of certain countries where the Group has overseas operations, including Euro, British pound, as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK\$3,693 million (30 June 2011 - gain of HK\$14,286 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associated companies and jointly controlled entities. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 30 June 2012, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK\$28,593 million to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 34% in US dollars, 33% in Euro, 20% in HK dollars, 7% in British Pounds and 6% in other currencies.

Credit Exposure

The Group's holdings of cash, managed funds and other liquid investments, and interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 30 June 2012, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch.

Market Price Risk

The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps as described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 18% (31 December 2011 - approximately 23%) of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

Liquid Assets

The Group continues to be in a solid financial position. Liquid assets amounted to HK\$116,518 million at 30 June 2012, a 34% increase from the balance of HK\$86,778 million at 31 December 2011, mainly reflecting positive funds from operations from the Group's businesses, cash from new borrowings, proceeds from the issue of perpetual capital securities, as well as from issues of perpetual capital securities and new shares by the Group's listed subsidiary, CKI, net of the utilisation of cash for the repayment and early repayment of certain borrowings, dividend payments to ordinary and non-controlling shareholders, as well as distributions to perpetual capital securities holders, and acquisition of fixed assets and investments. Liquid assets were denominated as to 7% in HK dollars, 50% in US dollars, 14% in Euro, 13% in Renminbi, 5% in British Pounds and 11% in other currencies.

Cash and cash equivalents represented 82% (31 December 2011 - 76%) of the liquid assets, US Treasury notes and listed/traded debt securities 12% (31 December 2011 - 16%), listed equity securities 6% (31 December 2011 - 7%) and long-term deposits and others nil (31 December 2011 - 1%).

The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 49%, government guaranteed notes of 15%, supranational notes of 13%, notes issued by the Group's associated company, Husky Energy Inc of 7% and others of 16%. Of these US Treasury notes and listed/traded debt securities, 74% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 1.7 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

Cash Flow

Consolidated EBITDA before and after all telecommunications CACs amounted to HK\$54,078 million and HK\$40,764 million respectively for 30 June 2012, decreases of 50% and 57% respectively compared to HK\$107,212 million and HK\$94,121 million reported respectively for the same period last year. The decline is mainly due to the gain on IPO of HPH Trust of HK\$55,644 million included in last year's reported numbers. Total CACs of all of the Group's telecommunications operations amounted to HK\$13,314 million for the period, a 2% increase compared to the same period last year, reflecting the shift of customer mix acquired towards higher value smartphone customers. Consolidated funds from operations ("FFO") after all telecommunications CACs, but before cash profits from disposals, capital expenditures and changes in working capital amounted to HK\$15,150 million, a 22% increase compared to the same period last year.

Cash Flow (continued)

The Group's capital expenditures increased 12% to total HK\$11,961 million (30 June 2011 - HK\$10,649 million), primarily due to higher capital expenditures for the acquisition of fixed assets, particularly in 3 Italy for its network capacity expansion and enhancement. Capital expenditures on fixed assets for the ports and related services division amounted to HK\$1,943 million (30 June 2011 - HK\$1,404 million); for the property and hotels division HK\$66 million (30 June 2011 - HK\$239 million); for the retail division HK\$745 million (30 June 2011 - HK\$647 million); for CKI HK\$385 million (30 June 2011 - HK\$117 million); for HTHKH HK\$567 million (30 June 2011 - HK\$464 million); for HAT HK\$1,138 million (30 June 2011 - HK\$1,881 million); for 3 Group Europe HK\$5,446 million (30 June 2011 - HK\$3,765 million); and for the finance and investments and others HK\$13 million (30 June 2011 - HK\$65 million). Capital expenditures for telecommunications licences, brand names and other rights for HTHKH amounted to HK\$154 million (30 June 2011 - HK\$1,139 million); for HAT HK\$50 million (30 June 2011 - nil); and for 3 Group Europe HK\$1,454 million (30 June 2011 - HK\$928 million).

Purchases of and advances to (including deposits from) associated companies and jointly controlled entities totalled HK\$2,804 million (30 June 2011 - HK\$6,928 million), mainly due to lower advances to property joint ventures in the first six months of 2012 as well as the investment by the Group to take up approximately C\$100 million of a private share placement by Husky Energy in the first half of 2011.

The capital expenditures and investments of the Group are primarily funded by cash generated from operations, cash on hand and to the extent appropriate, by external borrowings.

Debt Maturity and Currency Profile

The Group's total principal amount of bank and other debts at 30 June 2012 increased 12% to total HK\$240,318 million (31 December 2011 - HK\$213,854 million), of which 73% (31 December 2011 - 65%) are notes and bonds and 27% (31 December 2011 - 35%) are bank and other loans. The net increase in principal amount of bank and other debts was primarily due to new borrowings of HK\$48,431 million, partly offset by the repayment of debts as they matured and also early repayment of certain debts totalling HK\$20,227 million and the favourable impact of HK\$2,020 million upon translation of foreign currency-denominated loans to Hong Kong dollars. The Group's weighted average cost of debt at 30 June 2012 increased by 0.2%-points to 3.5% (31 December 2011 - 3.3%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK\$6,374 million at 30 June 2012 (31 December 2011 - HK\$6,502 million).

The maturity profile of the Group's total principal amount of bank and other debts at 30 June 2012 is set out below:

| | HK\$ | US\$ | Euro | GBP | Others | Total |
|----------------------|------------|------------|------------|-----------|-----------|-------------|
| In remainder of 2012 | - | 1% | 1% | 3% | 5% | 10% |
| In 2013 | 1% | 10% | 5% | - | - | 16% |
| In 2014 | - | 5% | - | 1% | - | 6% |
| In 2015 | 14% | - | 8% | 1% | - | 23% |
| In 2016 | - | - | 11% | - | - | 11% |
| In 2017 to 2021 | 5% | 8% | 5% | 1% | - | 19% |
| In 2022 to 2031 | - | 6% | 3% | 1% | 1% | 11% |
| Beyond 2031 | - | 4% | - | - | - | 4% |
| Total | 20% | 34% | 33% | 7% | 6% | 100% |

The non-HK dollar and non-US dollar denominated loans are either directly related to the Group's businesses in the countries of the currencies concerned, or the loans are balanced by assets in the same currencies. None of the Group's consolidated borrowings, as a matter of policy, have credit rating triggers that would accelerate the maturity dates of the debt outstanding.

Changes in Financing

The significant financing activities in the first half of 2012 were as follows:

- In January and February, issued five-year, fixed rate US\$1,000 million (approximately HK\$7,800 million) and ten-year, fixed rate US\$1,500 million (approximately HK\$11,700 million) guaranteed notes to refinance existing indebtedness and for general corporate purposes;
- In January, prepaid a floating rate loan facility of Euro1,000 million (approximately HK\$10,070 million) maturing in 2013;
- In March, listed subsidiary CKI issued 15-year, fixed rate notes of JPY15,000 million (approximately HK\$1,408 million) and early repaid JPY30,000 million (approximately HK\$2,817 million) fixed rate notes maturing in 2032;
- In June, issued five-year, fixed rate Euro1,250 million (approximately HK\$12,300 million) and ten-year, fixed rate Euro750 million (approximately HK\$7,380 million) guaranteed notes to refinance existing indebtedness and for general corporate purposes; and
- In June, obtained a three-year floating rate syndicated loan facility of HK\$5,500 million to refinance existing indebtedness and repaid on maturity a floating rate loan facility of HK\$4,860 million.

Subsequent to the period end:

- In July, obtained a three-year floating rate loan facility of Euro240 million (approximately HK\$2,246 million) and repaid on maturity a floating rate loan facility of the same amount; and
- In July, obtained a three-year floating rate loan facility of SEK10,500 million (approximately HK\$11,655 million) and early repaid a floating rate loan facility of the same amount maturing in December 2012.

Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities increased 2% to HK\$367,668 million at 30 June 2012, compared to HK\$359,612 million at 31 December 2011, reflecting the profits for the first half of 2012 as well as an issuance of US\$1,000 million perpetual capital securities in May 2012, an aggregate of approximately HK\$4,600 million from CKI's issuances of perpetual capital securities and new shares in February and March 2012 respectively, partly offset by the net exchange losses on translation of the Group's overseas operations' net assets to the Group's Hong Kong dollar reporting currency including the Group's share of the translation gains and losses of associated companies and jointly controlled entities, dividends paid and other items recognised directly in reserves. Subsequent to the period end, in July, CKI raised approximately HK\$2,297 million by issuing 50 million new shares. Following the issue, the Group's interest in CKI reduced to approximately 78% (which excludes the shares issued to and held by the fiduciary in connection with the issue of perpetual capital securities as mentioned above).

At 30 June 2012, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, unamortised loan facilities fees and premiums or discounts on issue and fair value changes of interest rate swap contracts, was HK\$123,800 million (31 December 2011 - HK\$127,076 million), a reduction of 3% compared to the net debt at the beginning of the year. The Group's net debt to net total capital ratio at 30 June 2012 reduced to 22.8% (31 December 2011 - 23.8%).

The following table shows the net debt to net total capital ratio calculated on the basis of including interest bearing loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at 30 June 2012. The net debt to net total capital ratio can be significantly affected by foreign currency translation effects on total ordinary shareholders' funds, perpetual capital securities and on debt balances. The ratios as at 30 June 2012 before and after the effect of foreign currency translation and other non-cash movements for the period are shown below:

| Net debt/Net total capital ratios at 30 June 2012: | Before the effect of foreign currency translation and other non-cash movements | After the effect of foreign currency translation and other non-cash movements |
|---|---|--|
| A1: excluding interest bearing loans from non-controlling shareholders from debt | 22.3% | 22.8% |
| A2: as in A1 above and investments in listed subsidiaries and associated companies marked to market value | 20.2% | 20.6% |
| B1: including interest bearing loans from non-controlling shareholders as debt | 23.5% | 24.0% |
| B2: as in B1 above and investments in listed subsidiaries and associated companies marked to market value | 21.2% | 21.7% |

The Group's consolidated gross interest expense and other finance costs of subsidiaries, before capitalisation, increased 6% in the first half of 2012 to total HK\$4,496 million as compared to HK\$4,239 million in the same period last year, mainly due to higher effective market interest rates, partially offset by lower average borrowings during the period.

Consolidated EBITDA and FFO before all telecommunications CACs for the period covered consolidated net interest expense and other finance costs 19.4 times and 10.7 times respectively (31 December 2011 - 29.2 times and 10.2 times).

Secured Financing

At 30 June 2012, assets of the Group totalling HK\$709 million (31 December 2011 - HK\$524 million) were pledged as security for bank and other debts.

Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 30 June 2012 amounted to the equivalent of HK\$6,034 million (31 December 2011 - HK\$7,242 million).

Contingent Liabilities

At 30 June 2012, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and jointly controlled entities totalling HK\$10,765 million (31 December 2011 - HK\$10,932 million), of which HK\$9,919 million (31 December 2011 - HK\$8,587 million) has been drawn down as at 30 June 2012, and also provided performance and other guarantees of HK\$4,500 million (31 December 2011 - HK\$4,838 million).

Employee Relations

At 30 June 2012, the Company and its subsidiaries employed 166,661 people (30 June 2011 - 160,880 people) and the related employee costs for the six-month period, excluding Directors' emoluments, totalled HK\$16,598 million (2011 - HK\$16,068 million). Including the Group's associated companies, at 30 June 2012, the Group employed 253,983 people of whom 31,700 were employed in Hong Kong. All of the Group's subsidiaries are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

The Company does not have a share option scheme for the purchase of ordinary shares in the Company. Certain subsidiaries and associates of the Group offer various equity-linked compensation elements appropriate to their sectors and markets. A wide range of benefits including medical coverage, provident funds and retirement plans and long service awards is also provided to employees. In addition, training and development programmes are provided on an on-going basis throughout the Group. Many social, sporting and recreational activities were arranged during the period for employees on a Group-wide basis. Group employees also participated in community-oriented events.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the period.

Review of Accounts

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2012 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is set out on page 38. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2012 have also been reviewed by the Audit Committee of the Company.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 6 September 2012 to Thursday, 13 September 2012, both days inclusive, for the purpose of determining shareholders' entitlement to the interim dividend. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 pm on Wednesday, 5 September 2012.

Corporate Strategy

The Company strategy is to enhance long-term total return for our shareholders, to maintain prudent liquidity and a net debt to net total capital ratio of less than 25%. Please refer to the Chairman's Statement and Operations Highlights for discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the Group's objective.

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this Interim Report are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Interim Report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Interim Report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Disclosure of Interests

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares of the Company

| Name of Director | Capacity | Nature of interests | Number of shares held | Total | Approximate % of shareholding |
|-------------------------|--------------------------------------|---------------------|---|---------------|-------------------------------|
| Li Ka-shing | Founder of discretionary trusts | Other interest | 2,141,698,773 ⁽¹⁾)))) | 2,235,252,773 | 52.4292% |
| | Interest of controlled corporations | Corporate interest | 93,554,000 ⁽²⁾))) | | |
| Li Tzar Kuoi, Victor | Beneficiary of trusts | Other interest | 2,141,698,773 ⁽¹⁾))) | 2,143,085,543 | 50.2674% |
| | Interest of controlled corporations | Corporate interest | 1,086,770 ⁽³⁾)))) | | |
| | Interest of child | Family interest | 300,000 ⁽⁴⁾) | | |
| Fok Kin Ning, Canning | Interest of a controlled corporation | Corporate interest | 6,010,875 ⁽⁵⁾ | 6,010,875 | 0.1410% |
| Chow Woo Mo Fong, Susan | Beneficial owner | Personal interest | 190,000 | 190,000 | 0.0045% |
| Frank John Sixt | Beneficial owner | Personal interest | 200,000 | 200,000 | 0.0047% |
| Lai Kai Ming, Dominic | Beneficial owner | Personal interest | 50,000 | 50,000 | 0.0012% |
| Kam Hing Lam | Beneficial owner | Personal interest | 60,000))) | 100,000 | 0.0023% |
| | Interest of child | Family interest | 40,000) | | |

| Name of Director | Capacity | Nature of interests | Number of shares held | Total | Approximate % of shareholding |
|------------------------|--|---------------------|---|------------|-------------------------------|
| Michael David Kadoorie | Founder, a beneficiary and/or a discretionary object of discretionary trust(s) | Other interest | 15,984,095 ⁽⁶⁾ | 15,984,095 | 0.3749% |
| Holger Kluge | Beneficial owner | Personal interest | 40,000 | 40,000 | 0.0009% |
| George Colin Magnus | Founder and beneficiary of a discretionary trust | Other interest | 950,100 ⁽⁷⁾)))) | | |
| | Beneficial owner | Personal interest | 40,000))) | | |
| | Interest of spouse | Family interest | 9,900) | 1,000,000 | 0.0235% |
| William Shurniak | Beneficial owner | Personal interest | 165,000 | 165,000 | 0.0039% |

Notes:

(1) The two references to 2,141,698,773 shares of the Company relate to the same block of shares comprising:

- (a) 2,130,202,773 shares held by certain subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong"). Mr Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 and its related companies in which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings ("TUT1 related companies") hold more than one-third of the issued share capital of Cheung Kong.

The entire issued share capital of TUT1 and of the trustees of DT1 and DT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of Cheung Kong by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of Cheung Kong independently without any reference to Unity Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies and the said shares of the Company held by the subsidiaries of Cheung Kong under the SFO as directors of Cheung Kong. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco and is a discretionary beneficiary of each of DT1 and DT2, he is not a director of Cheung Kong and has no duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies under the SFO.

Note: Effective from 16 July 2012, Mr Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Unity Holdco. Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Unity Holdco.

- (b) 11,496,000 shares held by Li Ka-Shing Castle Trustee Company Limited ("TUT3") as trustee of The Li Ka-Shing Castle Trust ("UT3").

Mr Li Ka-shing is the settlor of each of the two discretionary trusts ("DT3" and "DT4"). Each of Li Ka-Shing Castle Trustee Corporation Limited ("TDT3", which is the trustee of DT3) and Li Ka-Shing Castle Trustcorp Limited ("TDT4", which is the trustee of DT4) holds units in UT3 but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT3 and DT4 are, inter alia, Mr Li Tzar Kuoi, Victor, his wife and children, and Mr Li Tzar Kai, Richard.

The entire issued share capital of TUT3 and the trustees of DT3 and DT4 are owned by Li Ka-Shing Castle Holdings Limited ("Castle Holdco"). Each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco. TUT3 is only interested in the shares of the Company by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of the Company independently without any reference to Castle Holdco or any of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard as a holder of the shares of Castle Holdco as aforesaid.

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company. Although Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Castle Holdco and is a discretionary beneficiary of each of DT3 and DT4, he is not a Director of the Company and has no duty of disclosure in relation to the shares of the Company held by TUT3 as trustee of UT3 under the SFO.

Note: Effective from 16 July 2012, Mr Li Tzar Kai, Richard ceased to have any interest in the issued share capital of Castle Holdco. Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are respectively interested in one-third and two-third of the entire issued share capital of Castle Holdco.

- (2) Such shares were held by certain companies of which Mr Li Ka-shing is interested in the entire issued share capital.
- (3) Such shares were held by certain companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.
- (4) Such shares were held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of voting power at its general meetings.
- (5) Such shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.
- (6) Such shares were ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.
- (7) Such shares were indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and a discretionary beneficiary.

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares, underlying shares and debentures of the associated corporations of the Company

As at 30 June 2012, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong or the Company as described in Note (1) above:

- (i) 1,912,109,945 ordinary shares, representing approximately 78.18% of the then issued share capital, in Cheung Kong Infrastructure Holdings Limited ("CKI") of which 1,906,681,945 ordinary shares were held by a wholly owned subsidiary of the Company and 5,428,000 ordinary shares were held by TUT1 as trustee of UT1;
- (ii) 3,185,136,120 ordinary shares, representing approximately 66.10% of the then issued share capital, in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") of which 52,092,587 ordinary shares and 3,132,890,253 ordinary shares were held by certain wholly owned subsidiaries of each of Cheung Kong and the Company respectively and 153,280 ordinary shares were held by TUT3 as trustee of UT3;

- (iii) 829,599,612 ordinary shares, representing approximately 38.87% of the then issued share capital, in Power Assets Holdings Limited ("Power Assets") which shares were held by certain wholly owned subsidiaries of CKI;
- (iv) 2,423,888,908 ordinary shares, representing approximately 62.26% of the then issued share capital, in TOM Group Limited of which
 - (a) 476,341,182 ordinary shares and 952,683,363 ordinary shares were held by a wholly owned subsidiary of each of Cheung Kong and the Company respectively; and
 - (b) 994,864,363 ordinary shares charged by Cranwood Company Limited and its subsidiaries in favour of the Company as security;
- (v) 330,104,939 common shares, representing approximately 33.90% of the then issued share capital, in Husky Energy Inc. ("Husky Energy") held by a wholly owned subsidiary of the Company; and
- (vi) all interests in shares, underlying shares and/or debentures in all associated corporations of the Company.

As Mr Li Ka-shing is the settlor of a discretionary trust and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of that discretionary trust, for the purpose of the SFO Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in 345,642,012 common shares, representing approximately 35.50% of the then issued share capital, in Husky Energy which were held by a company indirectly owned by Mr Li Ka-shing and the trustee of a discretionary trust as aforementioned.

Mr Li Ka-shing, as Director of the Company, was also deemed to be interested in (i) a nominal amount of US\$78,000,000 in the 5.90% Notes due 2014 issued by Husky Energy; and (ii) a nominal amount of US\$25,000,000 in the 7.25% Notes due 2019 issued by Husky Energy held by a wholly owned subsidiary of the Company by virtue of his interests in the shares of the Company as described in Note (1) above.

In addition, Mr Li Ka-shing had, as at 30 June 2012, corporate interests in (i) a nominal amount of US\$9,100,000 in the 6.625% Guaranteed Perpetual Capital Securities issued by PHBS Limited; and (ii) 403,979,499 ordinary shares, representing approximately 8.38% of the then issued share capital, in HTHKH, which were held by companies of which Mr Li Ka-shing is interested in the entire issued share capital.

Mr Li Tzar Kuoi, Victor had, as at 30 June 2012, the following interests:

- (i) family interests in (a) 151,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in Power Assets held by his spouse; and (b) 192,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in HTHKH held by a company in which his child is entitled to exercise or control the exercise of one-third or more of voting power at its general meetings; and
- (ii) corporate interests in (a) a nominal amount of US\$10,208,000 in the 6.50% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited ("HWI(03/13)"); (b) a nominal amount of US\$45,792,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited; and (c) 2,519,250 ordinary shares, representing approximately 0.05% of the then issued share capital, in HTHKH, which were held by companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

Mr Fok Kin Ning, Canning had, as at 30 June 2012, the following interests:

- (i) corporate interests in (a) a nominal amount of US\$1,216,000 in the 6.50% Notes due 2013 issued by HWI(03/13); (b) a nominal amount of US\$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; (c) a nominal amount of US\$2,000,000 in the 7.25% Notes due 2019 issued by Husky Energy; and (d) a nominal amount of US\$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited ("HWI(10)");
- (ii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.06% of the then issued share capital, in Hutchison Harbour Ring Limited;
- (iii) 5,100,000 ordinary shares, representing approximately 0.04% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;
- (iv) corporate interests in 1,202,380 ordinary shares, representing approximately 0.02% of the then issued share capital, in HTHKH; and
- (v) corporate interests in 250,000 common shares, representing approximately 0.03% of the then issued share capital, in Husky Energy.

Mr Fok Kin Ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr Fok and his spouse.

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 30 June 2012, personal interests in 250,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in HTHKH.

Mr Frank John Sixt had, as at 30 June 2012, the following interests:

- (i) personal interests in (a) 1,000,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in HTAL; and (b) 17,000 American depositary shares (each representing 15 ordinary shares), representing approximately 0.005% of the then issued share capital, in HTHKH; and (c) 38,169 common shares, representing approximately 0.004% of the then issued share capital, in Husky Energy; and (d) a nominal amount of US\$1,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by HWI(10); and
- (ii) corporate interests in a nominal amount of US\$1,000,000 in the 5.90% Notes due 2014 issued by Husky Energy.

Mr Frank John Sixt held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company of which Mr Frank John Sixt is interested in the entire issued share capital.

Mr Kam Hing Lam had, as at 30 June 2012, the following interests:

- (i) personal interests in 100,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in CKI held in his capacity as a beneficial owner; and
- (ii) family interests in 100,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in Power Assets held by his child.

Mr Holger Kluge in his capacity as a beneficial owner had, as at 30 June 2012, personal interests in 20,000 common shares, representing approximately 0.002% of the then issued share capital, in Husky Energy.

Mr George Colin Magnus had, as at 30 June 2012, the following interests:

- (i) 13,333 ordinary shares, representing approximately 0.0003% of the then issued share capital, in HTHKH comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse; and
- (ii) personal interests in 30,000 common shares and 9,391 unlisted and physically settled Deferred Share Units (each representing 1 common share), in aggregate representing approximately 0.004% of the then issued share capital, in Husky Energy held in his capacity as a beneficiary owner.

Mr William Shurniak in his capacity as a beneficial owner had, as at 30 June 2012, personal interests in 16,442 common shares, representing approximately 0.002% of the then issued share capital, in Husky Energy.

Save as disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

Certain Directors held qualifying shares in certain subsidiaries of the Company on trust for other subsidiaries.

Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Directors or chief executive of the Company, as at 30 June 2012, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the Company

| Name | Capacity | Number of shares held | Approximate % of shareholding |
|--|-------------------------------------|------------------------------|-------------------------------|
| Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") | Trustee and beneficiary of a trust | 2,130,202,773 ⁽¹⁾ | 49.97% |
| Li Ka-Shing Unity Trustcorp Limited ("TDT2") | Trustee and beneficiary of a trust | 2,130,202,773 ⁽¹⁾ | 49.97% |
| Li Ka-Shing Unity Trustee Company Limited ("TUT1") | Trustee | 2,130,202,773 ⁽¹⁾ | 49.97% |
| Cheung Kong (Holdings) Limited ("Cheung Kong") | Interest of controlled corporations | 2,130,202,773 ⁽¹⁾ | 49.97% |
| Continental Realty Limited | Beneficial owner | 465,265,969 ⁽²⁾ | 10.91% |

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

| Name | Capacity | Number of shares held | Approximate % of shareholding |
|-----------------------------|-------------------------------------|----------------------------|-------------------------------|
| Honourable Holdings Limited | Interest of controlled corporations | 322,942,375 ⁽²⁾ | 7.57% |
| Winbo Power Limited | Beneficial owner | 236,260,200 ⁽²⁾ | 5.54% |
| Polycourt Limited | Beneficial owner | 233,065,641 ⁽²⁾ | 5.47% |
| Well Karin Limited | Beneficial owner | 226,969,600 ⁽²⁾ | 5.32% |

Notes:

(1) The four references to 2,130,202,773 shares of the Company relate to the same block of shares of the Company which represent the total number of shares of the Company held by certain wholly owned subsidiaries of Cheung Kong where Cheung Kong is taken to be interested in such shares under the SFO. In addition, by virtue of the SFO, each of TDT1, TDT2 and TUT1 is deemed to be interested in the same 2,130,202,773 shares of the Company held by Cheung Kong as described in Note (1)(a) of the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(2) These are wholly owned subsidiaries of Cheung Kong and their interests in the shares of the Company are duplicated in the interests of Cheung Kong.

Save as disclosed above, as at 30 June 2012, no other person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

Share Option Schemes

The Company has no share option scheme but certain of the Company's subsidiary companies have adopted share option schemes.

Employees' share option scheme interests in the Company's subsidiary companies for the six months ended 30 June 2012 are set out below:

(I) 3 Italia S.p.A. ("3 Italia")

The employee share option plan of 3 Italia (the "3 Italia plan") was approved by the shareholders of the Company (the "Shareholders") on 20 May 2004 and share options may be granted under the 3 Italia Plan within a period of 8 years.

There are no share options outstanding under the 3 Italia Plan during the financial period for the six months ended 30 June 2012 nor any share option was granted, exercised, cancelled or lapsed under the 3 Italia Plan during such period.

(II) Hutchison 3G UK Holdings Limited (“3 UK”)

The employee share option plan of 3 UK (the “3 UK Plan”) was approved by the Shareholders on 20 May 2004 and share options may be granted under the 3 UK Plan within a period of 10 years.

Particulars of share options outstanding under the 3 UK Plan at the beginning and at the end of the financial period for the six months ended 30 June 2012 and share options granted, exercised, cancelled or lapsed under the 3 UK Plan during such period are as follows:

| Category of participant | Effective date of grant or date of grant of share options ⁽¹⁾ | Number of share options held at 1 January 2012 | Granted during the six months ended 30 June 2012 | Exercised during the six months ended 30 June 2012 | Lapsed/ cancelled during the six months ended 30 June 2012 | Number of share options held at 30 June 2012 | Exercise period of share options | Exercise price of share options £ | Price of 3 UK share at grant date of share options ⁽³⁾ £ | Price of 3 UK share at exercise date of share options £ |
|-------------------------|--|--|--|--|--|--|--|--------------------------------------|--|--|
| Employees | | | | | | | | | | |
| in aggregate | 20.5.2004 | 187,750 | – | – | (187,750) | – | From Listing ⁽²⁾ to 16.5.2012 | 1.35 | 1.00 | N/A |
| | 20.5.2004 | 1,207,250 | – | – | (137,250) | 1,070,000 | From Listing to 29.8.2012 | 1.35 | 1.00 | N/A |
| | 20.5.2004 | 147,500 | – | – | (125,000) | 22,500 | From Listing to 28.10.2012 | 1.35 | 1.00 | N/A |
| | 20.5.2004 | 300,000 | – | – | (40,000) | 260,000 | From Listing to 11.5.2013 | 1.35 | 1.00 | N/A |
| | 20.5.2004 | 360,000 | – | – | (80,000) | 280,000 | From Listing to 14.5.2014 | 1.35 | 1.00 | N/A |
| | 27.1.2005 | 490,000 | – | – | (330,000) | 160,000 | From Listing to 26.1.2015 | 1.35 | 1.00 | N/A |
| | 11.7.2005 | 400,000 | – | – | (200,000) | 200,000 | From Listing to 10.7.2015 | 1.35 | 1.00 | N/A |
| | 7.9.2007 | 1,972,750 | – | – | (1,590,000) | 382,750 | From Listing to 6.9.2017 | 1.35 | 1.00 | N/A |
| Total: | | 5,065,250 | – | – | (2,690,000) | 2,375,250 | | | | |

Notes:

- (1) The share options granted to certain founders of 3 UK shall vest as to 50% on the date of (and immediately following) a Listing, as to a further 25% on the date one calendar year after a Listing and as to the final 25% on the date two calendar years after a Listing. The share options granted to non-founders of 3 UK shall vest as to one-third on the date of (and immediately following) a Listing, as to a further one-third on the date one calendar year after a Listing and as to the final one-third on the date two calendar years after a Listing.

(2) Listing refers to an application to be made to the Financial Services Authority for admission to the official list of the ordinary share capital of 3 UK or to have the shares of 3 UK admitted to trading on the Alternative Investment Market ("AIM") operated by London Stock Exchange plc or in the United Kingdom or elsewhere.

(3) Nominal value of the shares of 3 UK on date of grant set out for reference only.

As at 30 June 2012, 3 UK had 2,375,250 share options outstanding under the 3 UK Plan.

No share option was granted under the 3 UK Plan during the six months ended 30 June 2012.

(III) Hutchison China MediTech Limited ("Chi-Med")

The share option scheme of Chi-Med (the "Chi-Med Plan") was approved by the Shareholders on 18 May 2006 and share options may be granted under the Chi-Med Plan within a period of 10 years.

Particulars of share options outstanding under the Chi-Med Plan at the beginning and at the end of the financial period for the six months ended 30 June 2012 and share options granted, exercised, cancelled or lapsed under the Chi-Med Plan during such period are as follows:

| Name or category of participant | Effective date of grant or date of share options | Number of share options held at 1 January 2012 | Granted during the six months ended 30 June 2012 | Exercised during the six months ended 30 June 2012 | Lapsed/ cancelled during the six months ended 30 June 2012 | Number of share options held at 30 June 2012 | Exercise period of share options | Exercise price of share options £ | Price of Chi-Med share at grant date of share options £ | Price of Chi-Med share at exercise date of share options £ |
|-------------------------------------|--|--|--|--|--|--|----------------------------------|--------------------------------------|--|---|
| Directors | | | | | | | | | | |
| Christian Hogg | 19.5.2006 ⁽¹⁾⁽²⁾ | 768,182 | – | – | – | 768,182 | 19.5.2006 to 3.6.2015 | 1.09 | 2.505 ⁽⁵⁾ | N/A |
| Cheng Chig Fung, Johnny | 25.8.2008 ⁽³⁾ | 256,146 | – | (192,108) | – | 64,038 | 25.8.2008 to 24.8.2018 | 1.26 | 1.26 ⁽⁶⁾ | 4.175 ⁽⁷⁾ |
| Sub-total: | | 1,024,328 | – | (192,108) | – | 832,220 | | | | |
| Other employees in aggregate | | | | | | | | | | |
| | 19.5.2006 ⁽¹⁾⁽²⁾ | 128,030 | – | (51,212) | – | 76,818 | 19.5.2006 to 3.6.2015 | 1.09 | 2.505 ⁽⁵⁾ | 3.625 ⁽⁷⁾ |
| | 11.9.2006 ⁽²⁾ | 80,458 | – | – | – | 80,458 | 11.9.2006 to 18.5.2016 | 1.715 | 1.715 ⁽⁶⁾ | N/A |
| | 18.5.2007 ⁽⁴⁾ | 52,182 | – | – | – | 52,182 | 18.5.2007 to 17.5.2017 | 1.535 | 1.535 ⁽⁶⁾ | N/A |
| | 28.6.2010 ⁽³⁾ | 102,628 | – | – | – | 102,628 | 28.6.2010 to 27.6.2020 | 3.195 | 3.15 ⁽⁶⁾ | N/A |
| | 1.12.2010 ⁽³⁾ | 227,600 | – | – | – | 227,600 | 1.12.2010 to 30.11.2020 | 4.967 | 4.85 ⁽⁶⁾ | N/A |
| | 24.6.2011 ⁽³⁾ | 150,000 | – | – | – | 150,000 | 24.6.2011 to 23.6.2021 | 4.405 | 4.4 ⁽⁶⁾ | N/A |
| Sub-total: | | 740,898 | – | (51,212) | – | 689,686 | | | | |
| Total: | | 1,765,226 | – | (243,320) | – | 1,521,906 | | | | |

Notes:

- (1) The share options were granted on 4 June 2005, conditionally upon Chi-Med's admission to trading on the AIM which took place on 19 May 2006.
- (2) The share options granted to certain founders of Chi-Med are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009. The share options granted to non-founders of Chi-Med are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.
- (3) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.
- (4) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.
- (5) The stated price was the closing price of the shares of Chi-Med quoted on the AIM on the date of admission of listing of the shares of Chi-Med.
- (6) The stated price was the closing price of the shares of Chi-Med quoted on the AIM on the trading day immediately prior to the date of grant of the share options.
- (7) The stated price was the weighted average closing price of the shares of Chi-Med quoted on the AIM on the trading day immediately prior to the date on which the share options were exercised.

As at 30 June 2012, Chi-Med had 1,521,906 share options outstanding under the Chi-Med Plan.

No share option was granted under the Chi-Med Plan during the six months ended 30 June 2012.

(IV) Hutchison Harbour Ring Limited ("HHR")

The share option scheme of HHR (the "HHR Plan") was approved by the Shareholders on 20 May 2004 and share options may be granted under the HHR Plan within a period of 10 years.

Particulars of share options outstanding under the HHR Plan at the beginning and at the end of the financial period for the six months ended 30 June 2012 and share options granted, exercised, cancelled or lapsed under the HHR Plan during such period are as follows:

| Category of participant | Date of grant of share options | Number of share options held at 1 January 2012 | Granted during the six months ended 30 June 2012 | Exercised during the six months ended 30 June 2012 | Lapsed/ cancelled during the six months ended 30 June 2012 ⁽¹⁾ | Number of share options held at 30 June 2012 | Exercise period of share options ⁽²⁾ | Exercise price of share options HK\$ | Price of HHR share at grant date of share options ⁽³⁾ HK\$ | Price of HHR share at exercise date of share options HK\$ |
|-------------------------|--------------------------------|--|--|--|---|--|---|--------------------------------------|---|---|
| Employees in aggregate | 3.6.2005 | 600,000 | – | – | – | 600,000 | 3.6.2006 to 2.6.2015 | 0.822 | 0.82 | N/A |
| | 25.5.2007 | 200,000 | – | – | – | 200,000 | 25.5.2008 to 24.5.2017 | 0.616 | 0.61 | N/A |
| Total: | | 800,000 | – | – | – | 800,000 | | | | |

Notes:

- (1) 5,000,000 vested options granted to Mr Endo Shigeru, former executive director of HHR, lapsed on 9 January 2012.
- (2) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.
- (3) The stated price was the closing price of the shares of HHR quoted on the SEHK on the trading day immediately prior to the date of grant of the share options.

As at 30 June 2012, HHR had 800,000 share options outstanding under the HHR Plan.

No share option was granted under the HHR Plan during the six months ended 30 June 2012.

(V) Hutchison Telecommunications (Australia) Limited ("HTAL")

The employee option plan of HTAL (the "HTAL Plan") was approved by the Shareholders on 17 May 2007 and share options may be granted under the HTAL Plan within a period of 10 years.

Particulars of share options outstanding under the HTAL Plan at the beginning and at the end of the financial period for the six months ended 30 June 2012 and share options granted, exercised, cancelled or lapsed under the HTAL Plan during such period are as follows:

| Category of participant | Date of grant of share options | Number of share options held at 1 January 2012 | Granted during the six months ended 30 June 2012 | Exercised during the six months ended 30 June 2012 | Lapsed/ cancelled during the six months ended 30 June 2012 | Number of share options held at 30 June 2012 | Exercise period of share options | Exercise price of share options ⁽²⁾ A\$ | Price of HTAL share at grant date of share options ⁽³⁾ A\$ | Price of HTAL share at exercise date of share options A\$ |
|-------------------------------|--------------------------------|--|--|--|--|--|----------------------------------|---|--|--|
| Employees in aggregate | 14.6.2007 ^(1a) | 22,475,000 | – | – | (22,475,000) | – | 1.7.2008 to 13.6.2012 | 0.145 | 0.145 | N/A |
| | 14.11.2007 ^(1b) | 300,000 | – | – | – | 300,000 | 1.1.2009 to 13.11.2012 | 0.20 | 0.20 | N/A |
| | 4.6.2008 ^(1c) | 300,000 | – | – | – | 300,000 | 1.1.2010 to 3.6.2013 | 0.139 | 0.139 | N/A |
| Total: | | 23,075,000 | – | – | (22,475,000) | 600,000 | | | | |

Notes:

- (1) (a) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on 1 July 2008, one-third on 1 January 2009 and the remaining one-third on 1 January 2010.
- (b) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-half on 1 January 2009 and the remaining one-half on 1 January 2010.
- (c) The share options are exercisable, subject to amongst other relevant vesting criteria, on 1 January 2010.

- (2) The stated exercise price of share option was the higher of (i) the closing price of the shares of HTAL on the Australian Securities Exchange (the "ASX") on the day on which the share options were granted; and (ii) the average closing price of the shares of HTAL for the five trading days immediately preceding the day on which the share options were granted.
- (3) The stated price was the ASX closing price of the shares of HTAL on the trading day immediately prior to the date of grant of the share options.

As at 30 June 2012, HTAL had 600,000 share options outstanding under the HTAL Plan.

No share option was granted under the HTAL Plan during the six months ended 30 June 2012.

(VI) Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH")

The share option scheme of HTHKH (the "HTHKH Plan") was approved by the Shareholders on 21 May 2009 and share options may be granted under the HTHKH Plan within a period of 10 years.

Particulars of share options outstanding under the HTHKH Plan at the beginning and at the end of the financial period for the six months ended 30 June 2012 and share options granted, exercised, cancelled or lapsed under the HTHKH Plan during such period are as follows:

| Category of participant | Date of grant of share options ⁽¹⁾ | Number of share options held at 1 January 2012 | Granted during the six months ended 30 June 2012 | Exercised during the six months ended 30 June 2012 | Lapsed/ cancelled during the six months ended 30 June 2012 | Number of share options held at 30 June 2012 | Exercise period of share options | Exercise price of share options ⁽²⁾ HK\$ | Price of HTHKH share | |
|-------------------------|---|--|--|--|--|--|----------------------------------|--|---|--|
| | | | | | | | | | at grant date of share options ⁽³⁾ HK\$ | at exercise date of share options ⁽⁴⁾ HK\$ |
| Employees | | | | | | | | | | |
| in aggregate | 1.6.2009 | 1,090,000 | – | (650,000) | – | 440,000 | 1.6.2009 to 31.5.2019 | 1.00 | 0.96 | 3.42 |
| Total: | | 1,090,000 | – | (650,000) | – | 440,000 | | | | |

Notes:

- (1) The share options were vested according to a schedule, namely, as to as close to one-third of the shares of HTHKH which are subject to the share options as possible on each of 1 June 2009, 23 November 2009 and 23 November 2010, and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the HTHKH Plan) on such vesting date.
- (2) The exercise price of the share options is subject to adjustment in accordance with the provisions of the HTHKH Plan.
- (3) The stated price was the closing price of the shares of HTHKH on the SEHK on the trading day immediately prior to the date of grant of the share options.
- (4) The stated price was the weighted average closing price of the shares of HTHKH immediately before the date(s) on which the share options were exercised.

As at 30 June 2012, HTHKH had 440,000 share options outstanding under the HTHKH Plan.

No share option was granted under the HTHKH Plan during the six months ended 30 June 2012.

Corporate Governance

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries (the "Group") as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

The Stock Exchange of Hong Kong Limited made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has been fully compliant with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 30 June 2012, other than code provisions A.5.1 to A.5.4 and A.6.7 of the CG Code the reasons for deviation of which are explained below:

Code Provisions A.5.1 to A.5.4 of the CG Code – Nomination Committee

The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for the Directors, including the Chairman of the Board and the Group Managing Director.

Code Provision A.6.7 of the CG Code – Attendance of Non-executive Directors at General Meetings

All Non-executive Directors (including Independent Non-executive Directors) attended the annual general meeting of the Company held on 25 May 2012 (the "AGM") other than one Non-executive Director who was not in a position to attend the AGM due to an overseas commitment.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that they have complied with the Model Code in their securities transactions throughout the accounting period covered by this interim report.

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"), the changes in information of Directors of the Company subsequent to the date of the 2011 Annual Report of the Company are set out below:

| Name of Director | Details of Changes |
|---------------------------|---|
| Li Ka-shing | Appointed as chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Overseas) Foundation on 22 June 2012 and of Li Ka Shing (Canada) Foundation on 18 July 2012 |
| Li Tzar Kuoi, Victor | Appointed as deputy chairman of Li Ka Shing Foundation Limited and Li Ka Shing (Overseas) Foundation on 22 June 2012 and of Li Ka Shing (Canada) Foundation on 18 July 2012 Ceased to act as member of the Commission on Strategic Development of the Hong Kong Special Administrative Region on 1 July 2012 |
| Margaret Leung Ko May Yee | Retired as executive director, vice-chairman and chief executive of Hang Sang Bank Limited* on 11 May 2012 Ceased to act as director of The Hongkong and Shanghai Banking Corporation Limited, chairman of Hang Seng Bank (China) Limited and member of the Board of Trustees of Ho Leung Ho Lee Foundation on 11 May 2012 and independent non-executive director of Swire Pacific Limited* on 1 July 2012 |

* A company whose shares are listed on the Main Board of the SEHK.

Report on Review of Interim Financial Report

TO THE BOARD OF DIRECTORS OF HUTCHISON WHAMPOA LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 39 to 64, which comprises the condensed consolidated statement of financial position of Hutchison Whampoa Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 2 August 2012

Interim Accounts

Condensed Consolidated Income Statement

for the six months ended 30 June 2012

| Unaudited 2012 US\$ millions | | Note | Unaudited 2012 HK\$ millions | 2011 HK\$ millions |
|------------------------------------|---|------|------------------------------------|-----------------------|
| | Company and subsidiary companies: | | | |
| 14,837 | Revenue | 3 | 115,726 | 112,332 |
| (6,009) | Cost of inventories sold | | (46,869) | (43,214) |
| (2,003) | Staff costs | | (15,621) | (15,131) |
| (1,454) | Telecommunications customer acquisition costs | | (11,340) | (10,400) |
| (874) | Depreciation and amortisation | 3 | (6,820) | (7,175) |
| (3,173) | Other operating expenses | 3 | (24,747) | (28,002) |
| – | Change in fair value of investment properties | | – | – |
| – | Profits on disposal of investments and others | 4 | – | 47,459 |
| | Share of profits less losses after tax of: | | | |
| 931 | Associated companies | | 7,264 | 7,115 |
| 272 | Jointly controlled entities | | 2,122 | 3,055 |
| 2,527 | | 3 | 19,715 | 66,039 |
| (570) | Interest expenses and other finance costs | 5 | (4,445) | (4,184) |
| 1,957 | Profit before tax | | 15,270 | 61,855 |
| (135) | Current tax | 6 | (1,056) | (1,737) |
| (123) | Deferred tax | 6 | (957) | (367) |
| 1,699 | Profit after tax | | 13,257 | 59,751 |
| (390) | Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities | | (3,049) | (13,455) |
| 1,309 | Profit attributable to ordinary shareholders of the Company | | 10,208 | 46,296 |
| US 30.6 cents | Earnings per share for profit attributable to ordinary shareholders of the Company | 7 | HK\$ 2.39 | HK\$ 10.86 |

Details of distribution paid to the holders of perpetual capital securities and interim dividend payable to the ordinary shareholders of the Company are set out in note 17(c) and (d), respectively.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2012

| Unaudited 2012 US\$ millions | | Unaudited 2012 HK\$ millions | 2011 HK\$ millions |
|------------------------------------|---|------------------------------------|-----------------------|
| 1,699 | Profit after tax | 13,257 | 59,751 |
| | Other comprehensive income (losses) | | |
| | Available-for-sale investments: | | |
| 76 | Valuation gains recognised directly in reserves | 593 | 447 |
| (27) | Valuation gains previously in reserves recognised in income statement for the period | (210) | (118) |
| (28) | Net actuarial losses of defined benefit plans recognised directly in reserves | (214) | (230) |
| | Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts: | | |
| (8) | Losses recognised directly in reserves for the period | (62) | (106) |
| – | Losses previously in reserves recognised in initial cost of non-financial items for the period | – | 8 |
| (484) | Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves | (3,780) | 10,903 |
| – | Losses previously in exchange and other reserves related to subsidiaries disposed / de-recognised during the period recognised in income statement for the period | – | 1,104 |
| – | Revaluation gains recognised directly in reserves upon transfer from other properties to investment properties | – | 196 |
| (25) | Share of other comprehensive income (losses) of associated companies for the period | (198) | 1,963 |
| (65) | Share of other comprehensive income (losses) of jointly controlled entities for the period | (508) | 1,884 |
| (561) | Other comprehensive income (losses) before tax | (4,379) | 16,051 |
| – | Tax relating to components of other comprehensive income (losses) | 3 | (26) |
| (561) | Other comprehensive income (losses) after tax | (4,376) | 16,025 |
| 1,138 | Total comprehensive income | 8,881 | 75,776 |
| (356) | Allocated as: Attributable to non-controlling interests and holders of perpetual capital securities | (2,780) | (14,181) |
| 782 | Attributable to ordinary shareholders of the Company | 6,101 | 61,595 |

Condensed Consolidated Statement of Financial Position

at 30 June 2012

| Unaudited 30 June 2012 US\$ millions | | Note | Unaudited 30 June 2012 HK\$ millions | Audited 31 December 2011 HK\$ millions |
|---|--|------|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| 20,130 | Fixed assets | 8 | 157,016 | 155,502 |
| 5,469 | Investment properties | | 42,657 | 42,610 |
| 1,257 | Leasehold land | | 9,803 | 10,004 |
| 9,713 | Telecommunications licences | | 75,765 | 75,503 |
| 3,303 | Goodwill | | 25,765 | 26,338 |
| 1,859 | Brand names and other rights | | 14,498 | 12,615 |
| 18,207 | Associated companies | | 142,019 | 137,703 |
| 9,009 | Interests in joint ventures | | 70,268 | 67,562 |
| 2,036 | Deferred tax assets | 9 | 15,881 | 16,992 |
| 1,280 | Other non-current assets | 10 | 9,981 | 10,184 |
| 2,737 | Liquid funds and other listed investments | 11 | 21,350 | 20,239 |
| 75,000 | | | 585,003 | 575,252 |
| Current assets | | | | |
| 12,201 | Cash and cash equivalents | 12 | 95,168 | 66,539 |
| 7,398 | Trade and other receivables | 13 | 57,702 | 60,345 |
| 2,405 | Inventories | | 18,758 | 18,408 |
| 22,004 | | | 171,628 | 145,292 |
| Current liabilities | | | | |
| 9,583 | Trade and other payables | 14 | 74,751 | 78,093 |
| 6,737 | Bank and other debts | 15 | 52,547 | 28,835 |
| 312 | Current tax liabilities | | 2,435 | 2,431 |
| 16,632 | | | 129,733 | 109,359 |
| 5,372 | Net current assets | | 41,895 | 35,933 |
| 80,372 | Total assets less current liabilities | | 626,898 | 611,185 |
| Non-current liabilities | | | | |
| 24,654 | Bank and other debts | 15 | 192,304 | 189,719 |
| 817 | Interest bearing loans from non-controlling shareholders | | 6,374 | 6,502 |
| 1,131 | Deferred tax liabilities | 9 | 8,819 | 8,893 |
| 385 | Pension obligations | | 3,005 | 2,992 |
| 668 | Other non-current liabilities | 16 | 5,207 | 4,296 |
| 27,655 | | | 215,709 | 212,402 |
| 52,717 | Net assets | | 411,189 | 398,783 |
| CAPITAL AND RESERVES | | | | |
| 137 | Share capital | 17 | 1,066 | 1,066 |
| 3,000 | Perpetual capital securities | 17 | 23,400 | 15,600 |
| 44,000 | Reserves | | 343,202 | 342,946 |
| 47,137 | Total ordinary shareholders' funds and perpetual capital securities | | 367,668 | 359,612 |
| 5,580 | Non-controlling interests | | 43,521 | 39,171 |
| 52,717 | Total equity | | 411,189 | 398,783 |

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2012

| Unaudited 2012 US\$ millions | Note | Unaudited 2012 HK\$ millions | 2011 HK\$ millions |
|---|--------|------------------------------------|-----------------------|
| Operating activities | | | |
| 4,045 | | | |
| (520) | | | |
| (129) | | | |
| Cash generated from operating activities before interest expenses and other finance costs, tax paid, telecommunications customer acquisition costs and changes in working capital | | | |
| | 18 (a) | 31,548 | 28,543 |
| | | (4,053) | (3,863) |
| | | (1,005) | (1,856) |
| Interest expenses and other finance costs paid | | | |
| Tax paid | | | |
| Funds from operations before telecommunications customer acquisition costs | | | |
| 3,396 | | 26,490 | 22,824 |
| (1,454) | | (11,340) | (10,400) |
| Telecommunications customer acquisition costs | | | |
| Funds from operations | | | |
| 1,942 | | 15,150 | 12,424 |
| (455) | | (3,545) | 10,302 |
| Changes in working capital | | | |
| Net cash from operating activities | | | |
| 1,487 | | 11,605 | 22,726 |
| Investing activities | | | |
| (1,309) | | (10,214) | (8,472) |
| (11) | | (89) | (110) |
| (204) | | (1,594) | (2,004) |
| (8) | | (64) | (63) |
| (2) | | (15) | (133) |
| 34 | | 266 | 2,156 |
| (360) | | (2,804) | (6,928) |
| 43 | | 339 | 198 |
| 25 | | 194 | 33,877 |
| – | | – | 248 |
| 1 | | 8 | – |
| 17 | | 135 | 316 |
| Purchase of fixed assets and investment properties | | | |
| Additions to leasehold land | | | |
| Additions to telecommunications licences | | | |
| Additions to brand names and other rights | | | |
| Additions to other unlisted investments and long term receivables | | | |
| Repayments from associated companies and jointly controlled entities | | | |
| Purchase of and advances to (including deposits from) associated companies and jointly controlled entities | | | |
| Proceeds on disposal of fixed assets, leasehold land and investment properties | | | |
| Proceeds on disposal / de-recognition of subsidiary companies | | | |
| Proceeds on disposal of associated companies | | | |
| Proceeds on disposal of a jointly controlled entity | | | |
| Proceeds on disposal of other unlisted investments | | | |
| Cash flows from (used in) investing activities before additions to / disposal of liquid funds and other listed investments | | | |
| (1,774) | | (13,838) | 19,085 |
| 11 | | 83 | 4,048 |
| (99) | | (770) | (55) |
| Disposal of liquid funds and other listed investments | | | |
| Additions to liquid funds and other listed investments | | | |
| Cash flows from (used in) investing activities | | | |
| (1,862) | | (14,525) | 23,078 |
| Net cash inflow (outflow) before financing activities | | | |
| (375) | | (2,920) | 45,804 |

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| Unaudited 2012 US\$ millions | | Unaudited 2012 HK\$ millions | 2011 HK\$ millions |
|------------------------------------|---|------------------------------------|----------------------------------|
| | Financing activities | | |
| 6,209 | New borrowings | 48,431 | 5,072 |
| (2,593) | Repayment of borrowings | (20,227) | (30,870) |
| 581 | Issue of shares by subsidiary companies to non-controlling shareholders and net loans from (to) non-controlling shareholders | 4,531 | (2,159) |
| (16) | Payments to acquire additional interests in subsidiary companies | (123) | (4,816) |
| 993 | Proceeds on issue of perpetual capital securities, net of transaction costs | 7,746 | – |
| (233) | Dividends paid to non-controlling interests | (1,818) | (15,246) |
| (60) | Distribution paid on perpetual capital securities | (468) | (468) |
| (836) | Dividends paid to ordinary shareholders | (6,523) | (6,011) |
| 4,045 | Cash flows from (used in) financing activities | 31,549 | (54,498) |
| 3,670 | Increase (decrease) in cash and cash equivalents | 28,629 | (8,694) |
| 8,531 | Cash and cash equivalents at 1 January | 66,539 | 91,652 |
| 12,201 | Cash and cash equivalents at 30 June | 95,168 | 82,958 |
| | | | |
| 30 June 2012 US\$ millions | | 30 June 2012 HK\$ millions | 30 June 2011 HK\$ millions |
| | Analysis of cash, liquid funds and other listed investments | | |
| 12,201 | Cash and cash equivalents, as above | 95,168 | 82,958 |
| 2,737 | Liquid funds and other listed investments | 21,350 | 20,965 |
| 14,938 | Total cash, liquid funds and other listed investments | 116,518 | 103,923 |
| 30,810 | Total principal amount of bank and other debts | 240,318 | 218,861 |
| 817 | Interest bearing loans from non-controlling shareholders | 6,374 | 6,624 |
| 16,689 | Net debt | 130,174 | 121,562 |
| (817) | Interest bearing loans from non-controlling shareholders | (6,374) | (6,624) |
| 15,872 | Net debt (excluding interest bearing loans from non-controlling shareholders) | 123,800 | 114,938 |

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2012

| | Attributable to | | | | | | | | |
|---|--|------------------|-------------------------------|-----------------|---------------|--|---|---------------------------|---------------|
| | Ordinary shareholders | | | | | Holders of perpetual capital securities ^(c) | Total ordinary shareholders' funds and perpetual capital securities | Non-controlling interests | Total equity |
| | Share capital and premium ^(a) | Exchange reserve | Other reserves ^(b) | Retained profit | Sub-total | | | | |
| | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions | HK\$ millions |
| At 1 January 2012 | 29,425 | 6,968 | 3,632 | 303,823 | 343,848 | 15,764 | 359,612 | 39,171 | 398,783 |
| Profit for the period | – | – | – | 10,208 | 10,208 | 538 | 10,746 | 2,511 | 13,257 |
| Other comprehensive income (losses) | – | (3,693) | (227) | (187) | (4,107) | – | (4,107) | (269) | (4,376) |
| Total comprehensive income (losses) | – | (3,693) | (227) | 10,021 | 6,101 | 538 | 6,639 | 2,242 | 8,881 |
| Dividends paid relating to 2011 | – | – | – | (6,523) | (6,523) | – | (6,523) | – | (6,523) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | (1,738) | (1,738) |
| Distribution paid on perpetual capital securities | – | – | – | – | – | (468) | (468) | – | (468) |
| Equity contribution from non-controlling interests | – | – | – | – | – | – | – | 4,674 | 4,674 |
| Transaction costs in relation to equity contribution from non-controlling interests | – | – | – | (39) | (39) | – | (39) | (10) | (49) |
| Unclaimed dividends write back | – | – | – | 6 | 6 | – | 6 | – | 6 |
| Issuance of perpetual capital securities | – | – | – | – | – | 7,800 | 7,800 | – | 7,800 |
| Transaction costs in relation to issuance of perpetual capital securities | – | – | – | (54) | (54) | – | (54) | – | (54) |
| Relating to purchase of non-controlling interests | – | – | (110) | – | (110) | – | (110) | (13) | (123) |
| Relating to partial disposal of subsidiary companies | – | (27) | 796 | 36 | 805 | – | 805 | (805) | – |
| At 30 June 2012 | 29,425 | 3,248 | 4,091 | 307,270 | 344,034 | 23,634 | 367,668 | 43,521 | 411,189 |
| At 1 January 2011 | 29,425 | 3,475 | 3,384 | 261,985 | 298,269 | 15,764 | 314,033 | 43,226 | 357,259 |
| Profit for the period | – | – | – | 46,296 | 46,296 | 468 | 46,764 | 12,987 | 59,751 |
| Other comprehensive income (losses) | – | 15,332 | 172 | (205) | 15,299 | – | 15,299 | 726 | 16,025 |
| Total comprehensive income | – | 15,332 | 172 | 46,091 | 61,595 | 468 | 62,063 | 13,713 | 75,776 |
| Dividends paid relating to 2010 | – | – | – | (6,011) | (6,011) | – | (6,011) | – | (6,011) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | (15,148) | (15,148) |
| Distribution paid on perpetual capital securities | – | – | – | – | – | (468) | (468) | – | (468) |
| Equity contribution from non-controlling interests | – | – | – | – | – | – | – | 93 | 93 |
| Share option schemes of subsidiaries and others | – | – | 3 | (3) | – | – | – | 1 | 1 |
| Relating to purchase of non-controlling interests | – | – | (3,033) | – | (3,033) | – | (3,033) | (1,777) | (4,810) |
| Relating to partial disposal / disposal / de-recognition of subsidiary companies | – | – | 2,992 | (2,992) | – | – | – | (4,750) | (4,750) |
| At 30 June 2011 | 29,425 | 18,807 | 3,518 | 299,070 | 350,820 | 15,764 | 366,584 | 35,358 | 401,942 |

(a) Share capital and premium comprise share capital of HK\$1,066 million, share premium of HK\$27,955 million and capital redemption reserve of HK\$404 million in all reporting periods.

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 30 June 2012, revaluation reserve surplus amounted to HK\$2,439 million (1 January 2012 - HK\$2,277 million and 30 June 2011 - HK\$2,656 million), hedging reserve deficit amounted to HK\$1,010 million (1 January 2012 - deficit of HK\$623 million and 30 June 2011 - surplus of HK\$149 million) and other capital reserves surplus amounted to HK\$2,662 million (1 January 2012 - HK\$1,978 million and 30 June 2011 - HK\$713 million). Fair value changes arising from business combination and revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

(c) In May 2012, a wholly owned subsidiary company of the Group issued subordinated guaranteed perpetual capital securities (the "perpetual capital securities") with a nominal amount of US\$1,000 million (approximately HK\$7,800 million) for cash, which are classified as equity under Hong Kong Financial Reporting Standards.

Notes to the Condensed Interim Accounts

1 Basis of preparation

These unaudited condensed interim accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the 2011 annual accounts.

2 Significant accounting policies

These interim accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values.

The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2011 annual accounts, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2012. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position.

3 Operating segment information

The following presents information regarding the Group's operating segments for the six months ended 30 June 2012 and 2011. Save as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items and the column headed as Associates and JCE refers to the Group's share of associated companies' and jointly controlled entities' respective items.

Finance & Investments and others represents returns earned on the Group's holdings of cash and liquid investments and includes Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary Hutchison China MediTech Limited, listed subsidiary Hutchison Harbour Ring and listed associate TOM Group and others, and is presented to reconcile to the totals included in the Group's income statement and statement of financial position.

With effect from 1 January 2012, the previously reported "3 Group" operating segment is represented as "3 Group Europe" and "Hutchison Telecommunications (Australia) Limited ("HTAL")". Prior period corresponding segment information that is presented for comparative purposes has been restated accordingly.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Property and hotels is HK\$170 million (30 June 2011 - HK\$160 million) and Hutchison Telecommunications Hong Kong Holdings is HK\$53 million (30 June 2011 - HK\$61 million).

3 Operating segment information (continued)

(a) The following is an analysis of the Group's revenue by operating segments:

| | Revenue | | | | | | | |
|---|---|-------------------------------------|------------------------|------|---|-------------------------------------|------------------------|------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % |
| Ports and related services | 12,457 | 3,490 | 15,947 | 8% | 12,463 | 3,125 | 15,588 | 8% |
| Hutchison Ports Group other than HPH Trust operations | 12,447 | 2,170 | 14,617 | 7% | 12,006 | 2,334 | 14,340 | 7% |
| HPH Trust / HPH Trust operations # | 10 | 1,320 | 1,330 | 1% | 457 | 791 | 1,248 | 1% |
| Property and hotels | 3,038 | 6,173 | 9,211 | 5% | 2,925 | 4,479 | 7,404 | 4% |
| Retail | 58,347 | 12,712 | 71,059 | 36% | 55,261 | 11,964 | 67,225 | 37% |
| Cheung Kong Infrastructure | 2,094 | 16,900 | 18,994 | 10% | 1,745 | 12,482 | 14,227 | 8% |
| Husky Energy* | – | 29,768 | 29,768 | 15% | – | 29,309 | 29,309 | 16% |
| Hutchison Telecommunications | | | | | | | | |
| Hong Kong Holdings | 6,730 | – | 6,730 | 4% | 6,018 | – | 6,018 | 3% |
| Hutchison Asia Telecommunications | 1,628 | – | 1,628 | 1% | 1,049 | – | 1,049 | 1% |
| HTAL - share of joint venture Vodafone Hutchison Australia | – | 7,648 | 7,648 | 4% | – | 8,689 | 8,689 | 5% |
| 3 Group Europe | 27,990 | – | 27,990 | 14% | 28,069 | – | 28,069 | 15% |
| Finance & Investments and others | 3,442 | 2,576 | 6,018 | 3% | 3,092 | 2,028 | 5,120 | 3% |
| | 115,726 | 79,267 | 194,993 | 100% | 110,622 | 72,076 | 182,698 | 100% |
| Reconciliation item | – | – | – | – | 648 | 41 | 689 | – |
| | 115,726 | 79,267 | 194,993 | 100% | 111,270 | 72,117 | 183,387 | 100% |
| Non-controlling interests' share of HPH Trust / HPH Trust operations' revenue | – | 406 | 406 | | 1,062 | 272 | 1,334 | |
| | 115,726 | 79,673 | 195,399 | | 112,332 | 72,389 | 184,721 | |

represents the Group's attributable share of HPH Trust / HPH Trust operations' revenue based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable revenue for the six months ended 30 June 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 so that the period-on-period changes can be calculated on a like-for-like basis. Revenue reduced by HK\$406 million and HK\$2,023 million for the six months ended 30 June 2012 and 2011 respectively, being (1) HK\$689 million adjustment to reduce 2011 revenue to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 shown under "Reconciliation item"; and (2) HK\$406 million and HK\$1,334 million adjustments to exclude non-controlling interests' share of revenue of HPH Trust / HPH Trust operations for the six months ended 30 June 2012 and 2011 respectively.

* revenue reduced by HK\$3,972 million for the six months ended 30 June 2011 due to reclassification adjustments made by Husky Energy to its 2011 reported revenue and expenses following a change in presentation adopted by Husky Energy in 2012.

3 Operating segment information (continued)

(b) The Group uses two measures of segment results, EBITDA (see note 3(j)) and EBIT (see note 3(k)). The following is an analysis of the Group's results by operating segments by EBITDA:

| | EBITDA (LBITDA) ^① | | | | | | | |
|--|---|-------------------------------------|------------------------|------|---|-------------------------------------|------------------------|------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % |
| Ports and related services | 3,678 | 1,804 | 5,482 | 13% | 3,495 | 1,568 | 5,063 | 14% |
| Hutchison Ports Group other than HPH Trust operations | 3,672 | 1,104 | 4,776 | 11% | 3,260 | 1,109 | 4,369 | 12% |
| HPH Trust / HPH Trust operations [#] | 6 | 700 | 706 | 2% | 235 | 459 | 694 | 2% |
| Property and hotels | 2,096 | 2,885 | 4,981 | 12% | 1,547 | 2,950 | 4,497 | 12% |
| Retail | 4,181 | 1,017 | 5,198 | 13% | 3,814 | 904 | 4,718 | 13% |
| Cheung Kong Infrastructure | 932 | 9,149 | 10,081 | 25% | 1,042 | 7,341 | 8,383 | 22% |
| Husky Energy | – | 7,212 | 7,212 | 18% | – | 8,752 | 8,752 | 23% |
| Hutchison Telecommunications | | | | | | | | |
| Hong Kong Holdings | 1,451 | 6 | 1,457 | 4% | 1,245 | 2 | 1,247 | 3% |
| Hutchison Asia Telecommunications | (47) | – | (47) | – | (543) | – | (543) | -1% |
| HTAL - share of joint venture Vodafone Hutchison Australia | (7) | 875 | 868 | 2% | (2) | 1,096 | 1,094 | 3% |
| 3 Group Europe | 4,104 | (5) | 4,099 | 10% | 3,949 | – | 3,949 | 10% |
| Finance & Investments and others | 314 | 842 | 1,156 | 3% | (463) | 529 | 66 | – |
| | 16,702 | 23,785 | 40,487 | 100% | 14,084 | 23,142 | 37,226 | 99% |
| Reconciliation item | – | – | – | – | 364 | 21 | 385 | 1% |
| EBITDA before property revaluation and profits on disposal of investments and others | 16,702 | 23,785 | 40,487 | 100% | 14,448 | 23,163 | 37,611 | 100% |
| Dilution gain arising from spin-off and separate listing of HPH Trust (see note 4(a)) | – | – | – | | 55,644 | – | 55,644 | |
| Non-controlling interests' share of HPH Trust / HPH Trust operations' EBITDA | – | 277 | 277 | | 680 | 186 | 866 | |
| EBITDA (see note 18(a)) | 16,702 | 24,062 | 40,764 | | 70,772 | 23,349 | 94,121 | |
| Less: Depreciation and amortisation | (6,820) | (8,256) | (15,076) | | (7,175) | (7,560) | (14,735) | |
| Add: One-time gains ^② | 447 | – | 447 | | 457 | – | 457 | |
| Change in fair value of investment properties | – | 383 | 383 | | – | 501 | 501 | |
| Provision for impairment on certain port assets (see note 4(b)) | – | – | – | | (8,185) | – | (8,185) | |
| Group's share of the following income statement items of associated companies and jointly controlled entities: | | | | | | | | |
| Interest expenses and other finance costs | – | (3,431) | (3,431) | | – | (2,850) | (2,850) | |
| Current tax | – | (2,472) | (2,472) | | – | (2,112) | (2,112) | |
| Deferred tax | – | (747) | (747) | | – | (1,064) | (1,064) | |
| Non-controlling interests | – | (153) | (153) | | – | (94) | (94) | |
| | 10,329 | 9,386 | 19,715 | | 55,869 | 10,170 | 66,039 | |

[#] represents the Group's attributable share of HPH Trust / HPH Trust operations' EBITDA based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable EBITDA for the six months ended 30 June 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 so that the period-on-period changes can be calculated on a like-for-like basis. EBITDA reduced by HK\$277 million and HK\$1,251 million for the six months ended 30 June 2012 and 2011 respectively, being (1) HK\$385 million adjustment to reduce 2011 EBITDA to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 shown under "Reconciliation item"; and (2) HK\$277 million and HK\$866 million adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust / HPH Trust operations for the six months ended 30 June 2012 and 2011 respectively.

3 Operating segment information (continued)

(c) The following is an analysis of the Group's results by operating segments by EBIT:

| | EBIT (LBIT) ^(a) | | | | | | | |
|--|---|-------------------------------------|------------------------|------|---|-------------------------------------|------------------------|------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % |
| Ports and related services | 2,495 | 1,207 | 3,702 | 14% | 2,157 | 1,073 | 3,230 | 14% |
| Hutchison Ports Group other than HPH Trust operations | 2,489 | 794 | 3,283 | 12% | 2,042 | 784 | 2,826 | 12% |
| HPH Trust / HPH Trust operations [#] | 6 | 413 | 419 | 2% | 115 | 289 | 404 | 2% |
| Property and hotels | 1,971 | 2,824 | 4,795 | 19% | 1,420 | 2,876 | 4,296 | 18% |
| Retail | 3,228 | 770 | 3,998 | 15% | 2,883 | 672 | 3,555 | 15% |
| Cheung Kong Infrastructure | 871 | 6,992 | 7,863 | 30% | 970 | 5,594 | 6,564 | 28% |
| Husky Energy | – | 3,725 | 3,725 | 14% | – | 5,098 | 5,098 | 22% |
| Hutchison Telecommunications | | | | | | | | |
| Hong Kong Holdings | 806 | 1 | 807 | 3% | 684 | 1 | 685 | 3% |
| Hutchison Asia Telecommunications | (675) | – | (675) | -2% | (1,011) | – | (1,011) | -4% |
| HTAL – share of joint venture Vodafone Hutchison Australia | (7) | (560) | (567) | -2% | (2) | (140) | (142) | -1% |
| 3 Group Europe^(b) | | | | | | | | |
| EBITDA before the following: | | | | | | | | |
| Telecommunications CACs | 14,320 | (5) | 14,315 | | 12,884 | – | 12,884 | |
| | (10,216) | – | (10,216) | | (8,935) | – | (8,935) | |
| EBITDA before the following non-cash items: | | | | | | | | |
| Depreciation | 4,104 | (5) | 4,099 | | 3,949 | – | 3,949 | |
| Amortisation of licence fees and other rights | (3,075) | – | (3,075) | | (3,181) | – | (3,181) | |
| One-time gains ^(c) | (100) | – | (100) | | (316) | – | (316) | |
| One-time gains ^(c) | 447 | – | 447 | | 457 | – | 457 | |
| EBIT (LBIT) – 3 Group Europe ^(b) | 1,376 | (5) | 1,371 | 5% | 909 | – | 909 | 4% |
| Finance & Investments and others | 264 | 684 | 948 | 4% | (515) | 475 | (40) | – |
| | 10,329 | 15,638 | 25,967 | 100% | 7,495 | 15,649 | 23,144 | 99% |
| Reconciliation item | – | – | – | – | 361 | 17 | 378 | 1% |
| EBIT before property revaluation and profits on disposal of investments and others | 10,329 | 15,638 | 25,967 | 100% | 7,856 | 15,666 | 23,522 | 100% |
| Change in fair value of investment properties | – | 383 | 383 | | – | 501 | 501 | |
| EBIT | 10,329 | 16,021 | 26,350 | | 7,856 | 16,167 | 24,023 | |
| Group's share of profits on disposal of investments and others (see note 4) | – | – | – | | 37,180 | – | 37,180 | |
| Non-controlling interests' share of profits on disposal of investments and others (see note 4) | – | – | – | | 10,279 | – | 10,279 | |
| Non-controlling interests' share of HPH Trust / HPH Trust operations' EBIT | – | 168 | 168 | | 554 | 123 | 677 | |
| Group's share of the following income statement items of associated companies and jointly controlled entities: | | | | | | | | |
| Interest expenses and other finance costs | – | (3,431) | (3,431) | | – | (2,850) | (2,850) | |
| Current tax | – | (2,472) | (2,472) | | – | (2,112) | (2,112) | |
| Deferred tax | – | (747) | (747) | | – | (1,064) | (1,064) | |
| Non-controlling interests | – | (153) | (153) | | – | (94) | (94) | |
| | 10,329 | 9,386 | 19,715 | | 55,869 | 10,170 | 66,039 | |

represents the Group's attributable share of HPH Trust / HPH Trust operations' EBIT based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable EBIT for the six months ended 30 June 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 and also includes the additional depreciation in the first six months of 2012 on marking HPH Trust's assets to fair value on Initial Public Offering ("IPO") so that the period-on-period changes can be calculated on a like-for-like basis. EBIT reduced by HK\$168 million and HK\$1,055 million for the six months ended 30 June 2012 and 2011 respectively, being (1) HK\$378 million adjustment to reduce 2011 EBIT to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 and to adjust for the additional depreciation in 2012 on marking HPH Trust's assets to fair value on IPO, shown under "Reconciliation item"; and (2) HK\$168 million and HK\$677 million adjustments to exclude non-controlling interests' share of EBIT of HPH Trust / HPH Trust operations for the six months ended 30 June 2012 and 2011 respectively.

3 Operating segment information (continued)

(d) The following is an analysis of the Group's depreciation and amortisation by operating segments:

| | Depreciation and amortisation | | | | | |
|---|---|-------------------------------------|------------------------|---|-------------------------------------|------------------------|
| | Six months ended 30 June 2012 | | | Six months ended 30 June 2011 | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions |
| Ports and related services | 1,183 | 597 | 1,780 | 1,338 | 495 | 1,833 |
| Hutchison Ports Group other than HPH Trust operations | 1,183 | 310 | 1,493 | 1,218 | 325 | 1,543 |
| HPH Trust / HPH Trust operations # | – | 287 | 287 | 120 | 170 | 290 |
| Property and hotels | 125 | 61 | 186 | 127 | 74 | 201 |
| Retail | 953 | 247 | 1,200 | 931 | 232 | 1,163 |
| Cheung Kong Infrastructure | 61 | 2,157 | 2,218 | 72 | 1,747 | 1,819 |
| Husky Energy | – | 3,487 | 3,487 | – | 3,654 | 3,654 |
| Hutchison Telecommunications Hong Kong Holdings | 645 | 5 | 650 | 561 | 1 | 562 |
| Hutchison Asia Telecommunications | 628 | – | 628 | 468 | – | 468 |
| HTAL - share of joint venture Vodafone Hutchison Australia | – | 1,435 | 1,435 | – | 1,236 | 1,236 |
| 3 Group Europe | 3,175 | – | 3,175 | 3,497 | – | 3,497 |
| Finance & Investments and others | 50 | 158 | 208 | 52 | 54 | 106 |
| | 6,820 | 8,147 | 14,967 | 7,046 | 7,493 | 14,539 |
| Reconciliation item | – | – | – | 3 | 4 | 7 |
| | 6,820 | 8,147 | 14,967 | 7,049 | 7,497 | 14,546 |
| Non-controlling interests' share of HPH Trust / HPH Trust operations' depreciation and amortisation | – | 109 | 109 | 126 | 63 | 189 |
| | 6,820 | 8,256 | 15,076 | 7,175 | 7,560 | 14,735 |

represents the Group's attributable share of HPH Trust / HPH Trust operations' depreciation and amortisation based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012. Comparable depreciation and amortisation for the six months ended 30 June 2011 reflects the Group's attributable share of results based on the effective shareholdings in HPH Trust / HPH Trust operations during the first six months of 2012 and also includes the additional depreciation in the first six months of 2012 on marking HPH Trust's assets to fair value on IPO so that the period-on-period changes can be calculated on a like-for-like basis. Depreciation and amortisation reduced by HK\$109 million and HK\$196 million for the six months ended 30 June 2012 and 2011 respectively, being (1) HK\$7 million adjustment to reduce 2011 depreciation and amortisation to reflect the Group's share based on the effective shareholdings in HPH Trust / HPH Trust operations during 2012 and to adjust for the additional depreciation in 2012 on marking HPH Trust's assets to fair value on IPO, shown under "Reconciliation item"; and (2) HK\$109 million and HK\$189 million adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust / HPH Trust operations for the six months ended 30 June 2012 and 2011 respectively.

3 Operating segment information (continued)

(e) The following is an analysis of the Group's capital expenditure by operating segments:

| | Capital expenditure | | | | | | | |
|---|--|--|---|------------------------|--|--|---|------------------------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Fixed assets, investment properties and leasehold land HK\$ millions | Telecom- munications licences HK\$ millions | Brand names and other rights HK\$ millions | Total HK\$ millions | Fixed assets, investment properties and leasehold land HK\$ millions | Telecom- munications licences HK\$ millions | Brand names and other rights HK\$ millions | Total HK\$ millions |
| Ports and related services | 1,943 | – | – | 1,943 | 1,404 | – | – | 1,404 |
| Hutchison Ports Group other than HPH Trust operations | 1,943 | – | – | 1,943 | 1,264 | – | – | 1,264 |
| HPH Trust / HPH Trust operations | – | – | – | – | 140 | – | – | 140 |
| Property and hotels | 66 | – | – | 66 | 239 | – | – | 239 |
| Retail | 745 | – | – | 745 | 647 | – | – | 647 |
| Cheung Kong Infrastructure | 385 | – | – | 385 | 117 | – | – | 117 |
| Husky Energy | – | – | – | – | – | – | – | – |
| Hutchison Telecommunications | | | | | | | | |
| Hong Kong Holdings | 567 | 150 | 4 | 721 | 464 | 1,080 | 59 | 1,603 |
| Hutchison Asia Telecommunications | 1,138 | 1 | 49 | 1,188 | 1,881 | – | – | 1,881 |
| HTAL - share of joint venture Vodafone Hutchison Australia | – | – | – | – | – | – | – | – |
| 3 Group Europe | 5,446 | 1,443 | 11 | 6,900 | 3,765 | 924 | 4 | 4,693 |
| Finance & Investments and others | 13 | – | – | 13 | 65 | – | – | 65 |
| | 10,303 | 1,594 | 64 | 11,961 | 8,582 | 2,004 | 63 | 10,649 |

Additional information in respect of geographical locations

In the second half of 2011, the Group has expanded its list of geographical locations for presentation of additional information. Prior period corresponding information that is presented for comparative purposes has been restated accordingly.

(f) Additional disclosures of the Group's revenue by geographical location are shown below:

| | Revenue | | | | | | | |
|----------------------------------|--|--|------------------------|------|--|--|------------------------|------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % |
| Hong Kong | 25,487 | 5,088 | 30,575 | 16% | 23,514 | 5,640 | 29,154 | 16% |
| Mainland China | 11,799 | 8,628 | 20,427 | 10% | 10,304 | 4,895 | 15,199 | 8% |
| Europe | 59,192 | 20,390 | 79,582 | 41% | 60,087 | 17,520 | 77,607 | 42% |
| Canada | 57 | 29,717 | 29,774 | 15% | 63 | 29,228 | 29,291 | 16% |
| Asia, Australia and others | 15,749 | 12,868 | 28,617 | 15% | 14,210 | 12,806 | 27,016 | 15% |
| Finance & Investments and others | 3,442 | 2,576 | 6,018 | 3% | 3,092 | 2,028 | 5,120 | 3% |
| | 115,726 | 79,267 | 194,993 ⁽¹⁾ | 100% | 111,270 | 72,117 | 183,387 ⁽¹⁾ | 100% |

(1) see note 3(a) for reconciliation to total revenue included in the Group's income statement.

3 Operating segment information (continued)

(g) Additional disclosures of the Group's EBITDA by geographical location are shown below:

| | EBITDA (LBITDA) ⁽¹⁾ | | | | | | | |
|--|---|-------------------------------------|------------------------|------|---|-------------------------------------|------------------------|------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % |
| Hong Kong | 3,493 | 2,295 | 5,788 | 14% | 3,588 | 2,508 | 6,096 | 16% |
| Mainland China | 2,087 | 4,286 | 6,373 | 16% | 1,499 | 3,836 | 5,335 | 14% |
| Europe | 6,929 | 6,234 | 13,163 | 33% | 6,708 | 4,660 | 11,368 | 31% |
| Canada | 58 | 7,055 | 7,113 | 17% | 63 | 8,568 | 8,631 | 23% |
| Asia, Australia and others | 3,821 | 3,073 | 6,894 | 17% | 3,053 | 3,062 | 6,115 | 16% |
| Finance & Investments and others | 314 | 842 | 1,156 | 3% | (463) | 529 | 66 | – |
| EBITDA before property revaluation and profits on disposal of investments and others | 16,702 | 23,785 | 40,487 ⁽²⁾ | 100% | 14,448 | 23,163 | 37,611 ⁽²⁾ | 100% |

(2) see note 3(b) for reconciliation to total EBITDA included in the Group's income statement.

(h) Additional disclosures of the Group's EBIT by geographical location are shown below:

| | EBIT (LBIT) ⁽¹⁾ | | | | | | | |
|--|---|-------------------------------------|-----------------------------|------|---|-------------------------------------|-----------------------------|------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % | Company and Subsidiaries HK\$ millions | Associates and JCE HK\$ millions | Total HK\$ millions | % |
| Hong Kong | 2,586 | 1,593 | 4,179 | 16% | 2,694 | 1,893 | 4,587 | 19% |
| Mainland China | 1,835 | 3,821 | 5,656 | 22% | 1,238 | 3,406 | 4,644 | 20% |
| Europe | 3,235 | 5,018 | 8,253 | 32% | 2,682 | 3,787 | 6,469 | 28% |
| Canada | 58 | 3,566 | 3,624 | 14% | 63 | 4,922 | 4,985 | 21% |
| Asia, Australia and others | 2,351 | 956 | 3,307 | 12% | 1,694 | 1,183 | 2,877 | 12% |
| Finance & Investments and others | 264 | 684 | 948 | 4% | (515) | 475 | (40) | – |
| EBIT before property revaluation and profits on disposal of investments and others | 10,329 | 15,638 | 25,967 | 100% | 7,856 | 15,666 | 23,522 | 100% |
| Change in fair value of investment properties | – | 383 | 383 | | – | 501 | 501 | |
| EBIT | 10,329 | 16,021 | 26,350⁽³⁾ | | 7,856 | 16,167 | 24,023⁽³⁾ | |

(3) see note 3(c) for reconciliation to total EBIT included in the Group's income statement.

3 Operating segment information (continued)

- (i) Additional disclosures of the Group's capital expenditure by geographical location are shown below:

| | Capital expenditure | | | | | | | |
|----------------------------------|--|--|---|------------------------|--|--|---|------------------------|
| | Six months ended 30 June 2012 | | | | Six months ended 30 June 2011 | | | |
| | Fixed assets, investment properties and leasehold land HK\$ millions | Telecom- munications licences HK\$ millions | Brand names and other rights HK\$ millions | Total HK\$ millions | Fixed assets, investment properties and leasehold land HK\$ millions | Telecom- munications licences HK\$ millions | Brand names and other rights HK\$ millions | Total HK\$ millions |
| Hong Kong | 760 | 150 | 4 | 914 | 844 | 1,080 | 51 | 1,975 |
| Mainland China | 770 | — | — | 770 | 408 | — | — | 408 |
| Europe | 6,406 | 1,443 | 11 | 7,860 | 4,437 | 924 | 4 | 5,365 |
| Canada | — | — | — | — | — | — | — | — |
| Asia, Australia and others | 2,354 | 1 | 49 | 2,404 | 2,828 | — | 8 | 2,836 |
| Finance & Investments and others | 13 | — | — | 13 | 65 | — | — | 65 |
| | 10,303 | 1,594 | 64 | 11,961 | 8,582 | 2,004 | 63 | 10,649 |

- (j) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and jointly controlled entities except for HPH Trust / HPH Trust operations which are included based on the Group's effective share of EBITDA for these operations. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results as determined in accordance with generally accepted accounting principles in Hong Kong.
- (k) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities except for HPH Trust / HPH Trust operations which are included based on the Group's effective share of EBIT for these operations. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.
- (l) Included in EBIT (LBIT) of 3 Group Europe for the six months ended 30 June 2012 is a one-time net gain of HK\$447 million from a network sharing arrangement, which includes a benefit of HK\$2,032 million from future cost savings arising from a right to share another Irish operator's mobile network, partially offset by a HK\$1,585 million one-time provision mainly related to the restructuring of 3 Ireland's network infrastructure. Included in comparable EBIT (LBIT) of 3 Group Europe for the six months ended 30 June 2011 is a one-time net gain of HK\$457 million, comprising a benefit of HK\$1,843 million relating to two blocks of 5MHz of 1,800MHz spectrum assigned to 3 Italy in 2010, as a result of favourable changes in the licence terms in 2011, partially offset by a write-off of HK\$917 million due to an adverse court ruling on the incoming mobile termination rates by the Italian State Council and certain other one-off provisions amounting to HK\$469 million.

4 Profits on disposal of investments and others

| | Attributable to | | | Total HK\$ millions |
|---|---|--|---|------------------------|
| | Ordinary shareholders of the Company HK\$ millions | Holders of perpetual capital securities HK\$ millions | Non-controlling interests HK\$ millions | |
| Six months ended 30 June 2012 | – | – | – | – |
| Six months ended 30 June 2011 | | | | |
| Dilution gain arising from spin-off and separate listing of HPH Trust ^(a) | 44,290 | – | 11,354 | 55,644 |
| Provision for impairment on certain port assets ^(b) | (7,110) | – | (1,075) | (8,185) |
| | 37,180 | – | 10,279 | 47,459 |

- (a) The Group completed an initial public offering of units in HPH Trust and the units were listed on the Main Board of the Singapore Stock Exchange on 18 March 2011. Immediately following the completion of the spin-off and separate listing of HPH Trust, the Group retains a 27.6% interest in HPH Trust. Included in the HK\$55,644 million dilution gain arising from spin-off and separate listing of HPH Trust is the gain of HK\$17,625 million on remeasurement of the 27.6% retained interest from its carrying value to fair value.
- (b) During the six months ended 30 June 2011, following the IPO of the HPH Trust, a strategic review of its ports portfolio, and assessment of the market opportunities, the Group recognised impairment charges on certain port assets. One-time impairment charges are recognised on these port assets in view of the performance, uncertain business climate and the continuing challenging trading environment faced by these operations. In aggregate the impairment charges amounted to HK\$8,185 million. The main classes of assets affected by these impairment charges are fixed assets and interests in joint ventures and associated companies.

5 Interest expenses and other finance costs

| | Six months ended 30 June | |
|---|--------------------------|-----------------------|
| | 2012 HK\$ millions | 2011 HK\$ millions |
| Interest on borrowings | 4,074 | 3,895 |
| Amortisation of loan facilities fees and premiums or discounts relating to borrowings | 150 | 180 |
| Notional non-cash interest accretion | 242 | 141 |
| Other finance costs | 30 | 23 |
| | 4,496 | 4,239 |
| Less: interest capitalised | (51) | (55) |
| | 4,445 | 4,184 |

Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of certain obligations recognised in the statement of financial position such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

6 Tax

| | Six months ended 30 June | |
|-------------------|--------------------------|-----------------------|
| | 2012 HK\$ millions | 2011 HK\$ millions |
| Current tax | | |
| Hong Kong | 128 | 227 |
| Outside Hong Kong | 928 | 1,510 |
| | 1,056 | 1,737 |
| Deferred tax | | |
| Hong Kong | 112 | 211 |
| Outside Hong Kong | 845 | 156 |
| | 957 | 367 |
| | 2,013 | 2,104 |

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2011 - 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

7 Earnings per share for profit attributable to ordinary shareholders of the Company

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK\$10,208 million (30 June 2011 - HK\$46,296 million) and on 4,263,370,780 shares in issue during the first half of 2012 (30 June 2011 - 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 30 June 2012. The employee share options of these subsidiary and associated companies outstanding as at 30 June 2012 did not have a dilutive effect on earnings per share.

8 Fixed assets

During the period, the Group acquired fixed assets with a cost of HK\$10,157 million (30 June 2011 - HK\$8,242 million). Fixed assets with a net book value of HK\$198 million (30 June 2011 - HK\$238 million) were disposed of during the period, resulting in a gain on disposal of HK\$134 million (30 June 2011 - loss of HK\$46 million). During the comparable six months ended 30 June 2011, the Group recognised an impairment charge of HK\$1,241 million in respect of fixed assets of certain ports operations.

9 Deferred tax

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|--|----------------------------------|--------------------------------------|
| Deferred tax assets | 15,881 | 16,992 |
| Deferred tax liabilities | 8,819 | 8,893 |
| Net deferred tax assets | 7,062 | 8,099 |
| Analysis of net deferred tax assets (liabilities): | | |
| Unused tax losses | 16,971 | 18,293 |
| Accelerated depreciation allowances | (4,292) | (4,631) |
| Fair value adjustments arising from acquisitions | (3,604) | (3,674) |
| Revaluation of investment properties and other investments | (195) | (169) |
| Withholding tax on undistributed earnings | (236) | (223) |
| Other temporary differences | (1,582) | (1,497) |
| | 7,062 | 8,099 |

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 30 June 2012, the Group has recognised accumulated deferred tax assets amounting to HK\$15,881 million (31 December 2011 - HK\$16,992 million) of which HK\$15,041 million (31 December 2011 - HK\$15,861 million) relates to 3 Group Europe and HTAL.

The potential net deferred tax asset mainly arising from accumulated unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK\$26,896 million at 30 June 2012 (31 December 2011 - HK\$28,031 million).

10 Other non-current assets

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|------------------------------------|----------------------------------|--------------------------------------|
| Other unlisted investments | | |
| Loans and receivables | | |
| Unlisted debt securities | 567 | 571 |
| Other receivables | 3,739 | 3,857 |
| | 4,306 | 4,428 |
| Available-for-sale investments | | |
| Unlisted equity securities | 1,135 | 1,197 |
| Fair value hedges | | |
| Interest rate swaps | 2,671 | 2,518 |
| Cross currency interest rate swaps | 1,829 | 1,883 |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 40 | 158 |
| | 9,981 | 10,184 |

11 Liquid funds and other listed investments

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|--|----------------------------------|--------------------------------------|
| Available-for-sale investments | | |
| Managed funds, outside Hong Kong | 10,511 | 10,485 |
| Listed / traded debt securities, outside Hong Kong | 3,145 | 3,120 |
| Listed equity securities, Hong Kong | 1,689 | 988 |
| Listed equity securities, outside Hong Kong | 5,547 | 5,188 |
| | 20,892 | 19,781 |
| Loans and receivables | | |
| Long term deposits | 36 | 36 |
| Financial assets at fair value through profit or loss | 422 | 422 |
| | 21,350 | 20,239 |
| Components of Managed funds, outside Hong Kong are as follows: | | |
| Listed debt securities | 10,442 | 10,432 |
| Cash and cash equivalents | 69 | 53 |
| | 10,511 | 10,485 |

Included in listed / traded debt securities outside Hong Kong is a principal amount of US\$103 million notes issued by listed associated company, Husky Energy Inc. Of which, US\$78 million and US\$25 million of these notes will mature in 2014 and 2019 respectively.

12 Cash and cash equivalents

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|--------------------------|----------------------------------|--------------------------------------|
| Cash at bank and in hand | 19,479 | 22,545 |
| Short term bank deposits | 75,689 | 43,994 |
| | 95,168 | 66,539 |

13 Trade and other receivables

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|---|----------------------------------|--------------------------------------|
| Trade receivables | 24,282 | 29,792 |
| Less: provision for estimated impairment losses for bad debts | (4,708) | (6,048) |
| Trade receivables – net | 19,574 | 23,744 |
| Other receivables and prepayments | 37,718 | 36,334 |
| Fair value hedges | | |
| Interest rate swaps | 229 | – |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 181 | 267 |
| | 57,702 | 60,345 |

Trade and other receivables are stated at the expected recoverable amount, net of any estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable.

At end of period, the ageing analysis of the trade receivables is as follows:

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|----------------------|----------------------------------|--------------------------------------|
| Less than 31 days | 11,985 | 11,251 |
| Within 31 to 60 days | 1,441 | 1,487 |
| Within 61 to 90 days | 632 | 872 |
| Over 90 days | 10,224 | 16,182 |
| | 24,282 | 29,792 |

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. The carrying amount of these assets approximates their fair value. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

14 Trade and other payables

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|---|----------------------------------|--------------------------------------|
| Trade payables | 19,183 | 24,694 |
| Other payables and accruals | 52,724 | 51,663 |
| Provisions | 2,287 | 1,256 |
| Interest free loans from non-controlling shareholders | 468 | 468 |
| Cash flow hedges | | |
| Forward foreign exchange contracts | 89 | 12 |
| | 74,751 | 78,093 |

At end of period, the ageing analysis of the trade payables is as follows:

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|----------------------|----------------------------------|--------------------------------------|
| Less than 31 days | 10,934 | 14,124 |
| Within 31 to 60 days | 2,806 | 2,429 |
| Within 61 to 90 days | 1,840 | 1,248 |
| Over 90 days | 3,603 | 6,893 |
| | 19,183 | 24,694 |

15 Bank and other debts

The carrying amount of bank and other debts comprises of items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

| | 30 June 2012 | | | 31 December 2011 | | |
|--|-------------------------------------|---|------------------------|-------------------------------------|---|------------------------|
| | Current portion HK\$ millions | Non-current portion HK\$ millions | Total HK\$ millions | Current portion HK\$ millions | Non-current portion HK\$ millions | Total HK\$ millions |
| Bank loans | 27,499 | 36,081 | 63,580 | 28,812 | 44,768 | 73,580 |
| Other loans | 56 | 376 | 432 | 55 | 409 | 464 |
| Notes and bonds | 24,542 | 151,764 | 176,306 | — | 139,810 | 139,810 |
| Total principal amount of bank and other debts | 52,097 | 188,221 | 240,318 | 28,867 | 184,987 | 213,854 |
| Unamortised loan facilities fees and premiums or discounts related to debts | 221 | (417) | (196) | (32) | 331 | 299 |
| Unrealised gain on bank and other debts pursuant to interest rate swap contracts | 229 | 4,500 | 4,729 | — | 4,401 | 4,401 |
| | 52,547 | 192,304 | 244,851 | 28,835 | 189,719 | 218,554 |

15 Bank and other debts (continued)

Bank and other debts at principal amount are scheduled for repayment by calendar year as follows:

| | 30 June 2012 | | | Total HK\$ millions |
|-------------------------|--------------------------------|---------------------------------|-------------------------------------|------------------------|
| | Bank loans HK\$ millions | Other loans HK\$ millions | Notes and bonds HK\$ millions | |
| 2012, remainder of year | 23,903 | 24 | – | 23,927 |
| 2013 | 4,609 | 48 | 34,382 | 39,039 |
| 2014 | 3,916 | 51 | 10,206 | 14,173 |
| 2015 | 28,811 | 45 | 26,961 | 55,817 |
| 2016 | 2,337 | 27 | 23,804 | 26,168 |
| 2017 to 2021 | 4 | 113 | 44,875 | 44,992 |
| 2022 to 2031 | – | 75 | 26,956 | 27,031 |
| 2032 and thereafter | – | 49 | 9,122 | 9,171 |
| | 63,580 | 432 | 176,306 | 240,318 |
| Less: current portion | (27,499) | (56) | (24,542) | (52,097) |
| | 36,081 | 376 | 151,764 | 188,221 |

| | 31 December 2011 | | | Total HK\$ millions |
|-----------------------|--------------------------------|---------------------------------|-------------------------------------|------------------------|
| | Bank loans HK\$ millions | Other loans HK\$ millions | Notes and bonds HK\$ millions | |
| 2012 | 28,812 | 55 | – | 28,867 |
| 2013 | 14,490 | 51 | 34,692 | 49,233 |
| 2014 | 3,757 | 51 | 10,206 | 14,014 |
| 2015 | 25,055 | 42 | 27,158 | 52,255 |
| 2016 | 1,462 | 26 | 24,554 | 26,042 |
| 2017 to 2021 | 4 | 110 | 24,778 | 24,892 |
| 2022 to 2031 | – | 75 | 6,258 | 6,333 |
| 2032 and thereafter | – | 54 | 12,164 | 12,218 |
| | 73,580 | 464 | 139,810 | 213,854 |
| Less: current portion | (28,812) | (55) | – | (28,867) |
| | 44,768 | 409 | 139,810 | 184,987 |

16 Other non-current liabilities

| | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|--|----------------------------------|--------------------------------------|
| Cash flow hedges | | |
| Interest rate swaps | 259 | 201 |
| Forward foreign exchange contracts | 14 | – |
| Obligations for telecommunications licences and other rights | 4,253 | 3,409 |
| Provisions | 681 | 686 |
| | 5,207 | 4,296 |

17 Share capital and dividends

(a) Share capital

| | 30 June 2012 Number of shares | 31 December 2011 Number of shares | 30 June 2012 HK\$ millions | 31 December 2011 HK\$ millions |
|---|--|--|----------------------------------|--------------------------------------|
| Authorised: | | | | |
| Ordinary shares of HK\$0.25 each | 5,500,000,000 | 5,500,000,000 | 1,375 | 1,375 |
| 7-½% cumulative redeemable participating preference shares of HK\$1 each | 402,717,856 | 402,717,856 | 403 | 403 |
| | | | 1,778 | 1,778 |
| Issued and fully paid: | | | | |
| Ordinary shares | 4,263,370,780 | 4,263,370,780 | 1,066 | 1,066 |

(b) Perpetual capital securities

In May 2012, a wholly owned subsidiary company of the Group issued subordinated guaranteed perpetual capital securities with a nominal amount of US\$1,000 million (approximately HK\$7,800 million) for cash. These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

(c) Distribution paid on perpetual capital securities

| | Six months ended 30 June 2012 HK\$ millions | 2011 HK\$ millions |
|---|---|-----------------------|
| Distribution paid on perpetual capital securities | 468 | 468 |

17 Share capital and dividends (continued)

(d) Dividends

| | Six months ended 30 June | |
|----------------------------|--------------------------|-----------------------|
| | 2012 HK\$ millions | 2011 HK\$ millions |
| Interim dividend | 2,345 | 2,345 |
| Interim dividend per share | HK\$ 0.55 | HK\$ 0.55 |

In addition, final dividend in respect of the 2011 year of HK\$1.53 per share (2010 - HK\$1.41 per share) totalling HK\$6,523 million (2010 - HK\$6,011 million) was approved and paid during the interim period.

18 Notes to condensed consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid, telecommunications CACs and changes in working capital

| | Six months ended 30 June | |
|--|--------------------------|-----------------------|
| | 2012 HK\$ millions | 2011 HK\$ millions |
| Profit after tax | 13,257 | 59,751 |
| Adjustments for: | | |
| Current tax charge | 1,056 | 1,737 |
| Deferred tax charge | 957 | 367 |
| Interest expenses and other finance costs | 4,445 | 4,184 |
| Depreciation and amortisation | 6,820 | 7,175 |
| Provision for impairment on certain port assets (see note 4) | – | 8,185 |
| Non-cash items (see note 3(l)) | (447) | (457) |
| Share of associated companies' and jointly controlled entities': | | |
| Depreciation and amortisation | 8,256 | 7,560 |
| Change in fair value of investment properties | (383) | (501) |
| Interest expenses and other finance costs | 3,431 | 2,850 |
| Current tax charge | 2,472 | 2,112 |
| Deferred tax charge | 747 | 1,064 |
| Non-controlling interests | 153 | 94 |
| EBITDA (see notes 3(b) and 3(j)) | 40,764 | 94,121 |
| Telecommunications CACs | 11,340 | 10,400 |
| Share of jointly controlled entity's telecommunications CACs | 1,974 | 2,691 |
| EBITDA before telecommunications CACs | 54,078 | 107,212 |
| Share of EBITDA of associated companies and jointly controlled entities | (26,036) | (26,040) |
| Profit on disposal of other unlisted investments | (67) | (276) |
| Loss (profit) on disposal of fixed assets, leasehold land and investment properties | (135) | 45 |
| Dividends received from associated companies and jointly controlled entities | 3,995 | 3,042 |
| Distribution from property jointly controlled entities | 276 | 754 |
| Profit on disposal / de-recognition of subsidiary and associated companies and jointly controlled entities | (203) | (56,267) |
| Other non-cash items | (360) | 73 |
| | 31,548 | 28,543 |

18 Notes to condensed consolidated statement of cash flows (continued)

(b) Changes in working capital

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|-----------------------|
| | 2012 HK\$ millions | 2011 HK\$ millions |
| Increase in inventories | (701) | (685) |
| Decrease in debtors and prepayments | 1,784 | 16,877 |
| Decrease in creditors | (3,927) | (6,629) |
| Other non-cash items | (701) | 739 |
| | (3,545) | 10,302 |

(c) Disposal / de-recognition of subsidiary companies

| | Six months ended 30 June | |
|--|--------------------------|-----------------------|
| | 2012 HK\$ millions | 2011 HK\$ millions |
| Aggregate net assets disposed / de-recognised at date of disposal / de-recognition (excluding cash and cash equivalents): | | |
| Fixed assets | 32 | 17,628 |
| Leasehold land | — | 16,547 |
| Goodwill | — | 312 |
| Brand names and other rights | — | 16 |
| Associated companies | — | 128 |
| Interests in joint ventures | — | 291 |
| Deferred tax assets | — | 9 |
| Liquid funds and other listed investments | — | 37 |
| Trade and other receivables | 1 | 3,739 |
| Inventories | — | 149 |
| Creditors and current tax liabilities | (29) | (21,541) |
| Bank and other debts | — | (8,908) |
| Loans from non-controlling shareholders | — | (6,613) |
| Deferred tax liabilities | — | (1,538) |
| Pension obligations | — | (122) |
| Other non-current liabilities | — | (694) |
| Non-controlling interests | — | (4,899) |
| Reserves | — | 1,025 |
| | 4 | (4,434) |
| Profit on disposal / de-recognition * | 190 | 56,107 |
| | 194 | 51,673 |
| Less: Investments retained subsequent to disposal / de-recognition | — | (17,796) |
| | 194 | 33,877 |
| Satisfied by: | | |
| Cash and cash equivalents received as consideration | 194 | 39,890 |
| Less: Cash and cash equivalents sold | — | (6,013) |
| Total net cash consideration | 194 | 33,877 |

* The profit on disposal / de-recognition for the six months ended 30 June 2011 is recognised in the consolidated income statement and is mainly presented in the line item titled profits on disposal of investments and others.

The effect on the Group's results from the subsidiaries disposed / de-recognised is not material for the six months ended 30 June 2012 and 2011.

19 Contingent liabilities

At 30 June 2012, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and jointly controlled entities of HK\$10,765 million (31 December 2011 - HK\$10,932 million).

The amount utilised by its associated companies and jointly controlled entities are as follows:

| | 30 June 2012 | 31 December 2011 |
|--------------------------------|-------------------------|---------------------|
| | HK\$ millions | HK\$ millions |
| To associated companies | | |
| Other businesses | 1,440 | 1,366 |
| To jointly controlled entities | | |
| Property businesses | 1,478 | 1,619 |
| Other businesses | 7,001 | 5,602 |
| | 8,479 | 7,221 |

At 30 June 2012, the Group had provided performance and other guarantees of HK\$4,500 million (31 December 2011 - HK\$4,838 million).

20 Commitments

There have been no material changes in the total amount of capital commitments since 31 December 2011 except for the amounts taken up during the period in the normal course of business.

21 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the period are not significant to the Group.

There have been no material changes in the total amount of outstanding balances with associated companies and jointly controlled entities since 31 December 2011.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property and infrastructure, projects. At 30 June 2012, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK\$40,435 million (31 December 2011 - HK\$40,864 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK\$3,457 million (31 December 2011 - HK\$3,649 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation).

22 Legal proceedings

As at 30 June 2012, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

23 Subsequent events

In July 2012, joint venture companies formed by Cheung Kong Infrastructure ("CKI"), a subsidiary company of the Group, and its associated company, Power Assets Holdings Limited, together with Cheung Kong (Holdings) Limited and Li Ka Shing Foundation Limited with respective shareholdings of 30%, 30%, 30% and 10%, entered into a share purchase agreement for the acquisition of MGN Gas Networks (UK) Limited ("MGN"). MGN indirectly holds the entire issued share capital of Wales and West Utilities Limited, which is principally engaged in the management of gas transportation assets, gas distribution and meter work services throughout Wales and the South West of England. Total acquisition consideration of this transaction is GBP645 million (approximately HK\$7,753 million). The completion on this transaction will be conditional on regulatory approval.

In July 2012, CKI raised approximately HK\$2,297 million by issuing 50 million new shares. Following the issue, the Group's interest in CKI's ordinary shares has reduced from approximately 80% to approximately 78% (which excludes the shares issued to and held by the fiduciary in connection with the issue of perpetual capital securities in February 2012).

24 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK\$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the six months ended, 30 June 2012, is for convenience only and has been made at the rate of HK\$7.80 to US\$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

Information for Shareholders

| | |
|------------------------------------|--|
| LISTING | The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited |
| STOCK CODE | 13 |
| PUBLIC FLOAT CAPITALISATION | Approximately HK\$133,179 million (approximately 47% of the issued share capital of the Company) as at 30 June 2012 |
| FINANCIAL CALENDAR | Closure of Register of Members: 6 September 2012 - 13 September 2012 Payment of 2012 Interim Dividend: 14 September 2012 |
| REGISTERED OFFICE | 22nd Floor, Hutchison House 10 Harcourt Road, Hong Kong Telephone: +852 2128 1188 Facsimile: +852 2128 1705 |
| SHARE REGISTRARS | Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong Telephone: +852 2862 8628 Facsimile: +852 2865 0990 |
| INVESTOR INFORMATION | Corporate press releases, financial reports and other investor information on the Group are available on the website of the Company |
| INVESTOR RELATIONS CONTACT | Please direct enquiries to: Group Corporate Affairs Department 22nd Floor, Hutchison House 10 Harcourt Road, Hong Kong Telephone: +852 2128 1188 Facsimile: +852 2128 1705 Email: info@hwl.com.hk |
| WEBSITE ADDRESS | www.hutchison-whampoa.com |
