2012/13
INTERIM REPORT

SmarTone Telecommunications Holdings Limited

Stock Code : 0315

CONTENTS

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

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

Financial Highlights

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

Dividend

In line with the Group's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, your Board declares an interim dividend of 44 cents per share. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

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

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

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

Prospects

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

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

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

Appreciation

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

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 18 February 2013

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

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

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

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

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

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

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

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

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

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

Finance income fell by $8 million to $7 million (first half of 2011/12: $15 million) mainly due to a lower return on surplus fund. Finance costs fell by $8 million to $66 million (first half of 2011/12: $74 million) mainly due to lower bank charges for credit card instalment in respect of handset bundle subscriptions. Accretion expenses or deemed interest on mobile licence fee liabilities and interest on bank borrowings decreased by $3 million collectively.

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

Macau operations reported an operating profit of $27 million (first half of 2011/12: $42 million) amid lower contribution from roaming business.

Capital structure, liquidity and financial resources

During the period under review, the Group was financed by share capital, internally generated funds and bank borrowings. The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) and investments in held-to-maturity debt securities of $1,582 million as at 31 December 2012 (30 June 2012: $1,413 million).

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

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

The Group's current liabilities exceeded its current assets by $876 million as at 31 December 2012 (30 June 2012: $661 million). The growth in subscriptions of handset bundled plans resulted in the corresponding increases in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding non-refundable customer prepayments of $846 million (30 June 2012: $788 million) included in current liabilities, the Group would have net current liabilities of $30 million as at 31 December 2012 (30 June 2012: net current assets of $128 million).

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2013 with internal cash resources and available banking facilities.

Treasury policy

The Group invests its surplus funds in accordance with a treasury policy approved from time to time by the board of directors. Surplus funds are placed in bank deposits or invested in investment grade debt securities. Bank deposits are maintained in Hong Kong dollars, United States dollars and other currencies. Investments in debt securities are denominated in either Hong Kong dollar or United States dollar, and having a maximum maturity of three years. The Group's policy is to hold its investments in debt securities until maturity.

The Group is required to arrange for banks to issue performance bonds and letter of credit on its behalf. The Group may partially or fully collateralise such instruments by cash deposits to lower the issuance costs. Pledged bank deposits amounted to $6 million as at 31 December 2012 (30 June 2012: $9 million).

Interest rate exposure

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

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, trade payables, bank deposits and bank borrowings denominated in United States dollars. Hong Kong dollar is pegged to United States dollar, and thus foreign exchange exposure is considered minimal. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

Performance bonds

Certain banks, on the Group's behalf, had issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under mobile licences issued by those authorities. The total amount outstanding as at 31 December 2012 under these performance bonds was $548 million (30 June 2012: $709 million).

Employees and share option scheme

The Group had 2,202 full-time employees as at 31 December 2012 (30 June 2012: 2,116), with the majority of them based in Hong Kong. Total staff costs were $346 million for the period ended 31 December 2012 (first half of 2011/12: $317 million).

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

The Group has a share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. During the period under review, no new share options were granted; 475,000 share options were exercised; and 600,000 share options were cancelled or lapsed. 33,422,500 (30 June 2012: 34,497,500) share options were outstanding as at 31 December 2012.

KWOK Ping-luen, Raymond, *Chairman & Non-Executive Director*

Mr. Raymond Kwok has been with the Group since April 1992 and was appointed Director of the Company in October 1996. He holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

Mr. Kwok is Chairman and Managing Director of Sun Hung Kai Properties Limited ("SHKP") and a Member of its Executive Committee. He is also a Director of Cellular 8 Holdings Limited ("Cellular 8") and TFS Development Company Limited ("TFS"). SHKP, Cellular 8 and TFS are the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is also Chairman of SUNeVision Holdings Ltd. (a subsidiary of SHKP), and a Non-Executive Director of Transport International Holdings Limited (an associate of SHKP) and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce and Vice-Chairman of the Council of The Chinese University of Hong Kong.

Mr. Kwok is also a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2012, Mr. Kwok received a fee of HK$150,000. Except the above fee, Mr. Kwok did not receive any other emoluments during the said financial year.

Douglas LI, *Executive Director & Chief Executive Officer*

Mr. Douglas Li is Chief Executive Officer of the Group, which he helped founded in 1992. He spent the early part of his career as a Chartered Accountant with KPMG in both London and Hong Kong. He became a corporate finance investment banker with Morgan Grenfell, following which he joined Sun Hung Kai Properties to expand its telecom and other businesses. He left the Group in 1996 to join the Asia private equity business of the Suez Group as Managing Director. Mr. Li rejoined the Group in 2001.

Mr. Li is also a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2012, Mr. Li received salaries (including allowances and retirement scheme contributions), bonus, share-based payment and director's fee of HK$10,144,000, HK$10,044,000, HK$14,553,000 and HK$120,000 respectively.

DIRECTORS' PROFILE

CHAN Kai-lung, Patrick, *Executive Director*

Mr. Patrick Chan was appointed Director of the Group in October 1996. Mr. Chan was the manager of the Strategic Development Department of Sun Hung Kai Properties Limited ("SHKP") before his appointment as Executive Director of the Company in March 2002. Prior to joining SHKP in 1990, he held various positions in the areas of research and investment at leading international banking groups. From December 1994 to May 1996, he was seconded as a full-time member to the Central Policy Unit of the Hong Kong Government. Mr. Chan has over 20 years' experience in finance, investment, planning and investor relations. Mr. Chan holds a Bachelor of Economics (Hon.) degree from the University of Sydney, Australia and a Master of Economics degree from the Australian National University.

Mr. Chan is also a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2012, Mr. Chan received salaries (including allowances and retirement scheme contributions), bonus, share-based payment and director's fee of HK$4,449,000, HK$822,000, HK$2,911,000 and HK$120,000 respectively.

CHEUNG Wing-yui, *Non-Executive Director*

Mr. Cheung Wing-yui was appointed Director of the Company in March 2003. Mr. Cheung is a director of a number of other publicly listed companies, namely being non-executive director of Tai Sang Land Development Limited, SUNeVision Holdings Ltd., Tianjin Development Holdings Limited and SRE Group Limited (formerly Shanghai Real Estate Limited), and being independent non-executive director of Hop Hing Group Holdings Limited and Agile Property Holdings Limited. Mr. Cheung previously held directorships in Taifook Securities Group Limited (resigned on 1 October 2007), Ching Hing (Holdings) Limited (resigned on 25 July 2007) and Ping An Insurance (Group) Company of China, Limited (resigned on 3 June 2009).

Mr. Cheung was the Vice-Chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong until January 2006 and was a director of Po Leung Kuk, a member of the Board of Review (Inland Revenue) and past Deputy Chairman of the Hong Kong Institute of Directors and he is currently a director of the Community Chest and Deputy Chairman of The Open University of Hong Kong. Mr. Cheung received a Bachelor of Commerce degree in accountancy from the University of New South Wales, Australia and is a member of the Australian Society of CPAs. Mr. Cheung has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He was admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

For the financial year ended 30 June 2012, Mr. Cheung received a fee of HK$120,000. Except the above fee, Mr. Cheung did not receive any other emoluments during the said financial year.

David Norman PRINCE, *Non-Executive Director*

Mr. David Prince was appointed Director of the Company in July 2005. Mr. Prince has over 15 years' experience of operating at board level in an international environment.

Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK).

He was Group Finance Director of Cable and Wireless plc. until December 2003 and prior to this, spent some 12 years working in the telecommunications industry in Hong Kong, Mainland China and Asia. From 1994 to 2000 he was Finance Director and latterly Deputy Chief Executive Officer of Hong Kong Telecommunications Limited until it was acquired by PCCW in 2000. He went on to join PCCW plc. as Group Chief Financial Officer primarily focused on the integration of the companies following the acquisition. In 2002, he left PCCW to join Cable and Wireless as Group Finance Director. Prior to his time in Hong Kong he held senior management roles for Cable and Wireless in the USA and Europe. His early career was spent in the Gas, Oil and Electronic industries within Europe and the USA.

Mr. Prince is currently a non-executive director and chairman of the audit committee for Ark Therapeutics plc. – a UK based specialist healthcare group and a non-executive director and member of the audit committee of Adecco SA which is the global leader in human resources services.

Mr. Prince is a Consultant of Sun Hung Kai Real Estate Agency Ltd. (a company within the Sun Hung Kai Properties Group).

Mr. Prince is also a member of the Nomination Committee of the Company.

For the financial year ended 30 June 2012, Mr. Prince received a fee of HK$120,000. Except the above fee, Mr. Prince did not receive any other emoluments during the said financial year.

YUNG Wing-chung, *Non-Executive Director*

Mr. Yung Wing-chung was appointed Director of the Company in April 2007. Mr. Yung is the Corporate Advisor of Sun Hung Kai Properties Limited ("SHKP"). He is a director of River Trade Terminal Co. Ltd., Hung Kai Finance Company Limited, YATA Limited, Hong Kong Business Aviation Centre Limited and Airport Freight Forwarding Centre Company Limited. Mr. Yung is also Deputy Chairman and a Non-Executive Director of RoadShow Holdings Limited, a Non-Executive Director and an alternate director to Mr. Kwok Ping-luen, Raymond ("Mr. Kwok") of Wing Tai Properties Limited, and an alternate director to Mr. Kwok of Transport International Holdings Limited. Prior to his joining SHKP in 1995, Mr. Yung had many years of working experience with a U.S. Bank in various managerial positions in Hong Kong and the United States.

Mr. Yung is also a member of the Remuneration Committee of the Company.

For the financial year ended 30 June 2012, Mr. Yung received a fee of HK$120,000. Except the above fee, Mr. Yung did not receive any other emoluments during the said financial year.

SIU Hon-wah, Thomas, *Non-Executive Director*

Mr. Thomas Siu was appointed Director of the Company in July 2008. Mr. Siu is the Managing Director of Wilson Group which is a major transport infrastructure services provider in Hong Kong. Wilson Group is a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"). Prior to joining Wilson Group, Mr. Siu had more than 25 years experience in telecommunications and IT sectors. His experience covers finance, business operations and development. On 7 May 2010, Mr. Siu was appointed a Non-Executive Director of SUNeVision Holdings Ltd. (a subsidiary of SHKP).

Mr. Siu holds a MPhil degree from University of Cambridge and a PhD degree in Information Systems. He is a Certified Public Accountant and is a member of the British Computer Society.

For the financial year ended 30 June 2012, Mr. Siu received a fee of HK$120,000. Except the above fee, Mr. Siu did not receive any other emoluments during the said financial year.

DIRECTORS' PROFILE

TSIM Wing-kit, Alfred, *Non-Executive Director*

Mr. Alfred Tsim was appointed Director of the Company in November 2009. Mr. Tsim is an Executive Director and the Chief Executive Officer of SUNeVision Holdings Ltd. ("SUNeVision"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. SUNeVision is a subsidiary of Sun Hung Kai Properties Limited, the controlling shareholder of the Company. Prior to joining SUNeVision in February 2000, Mr. Tsim worked for international accounting firms, financial institution and major telecommunication operators in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom, CPA Australia, CMA Canada and The Institute of Chartered Accountants in England and Wales. Mr. Tsim holds a Bachelor of Arts degree from the City University of Hong Kong, a Master of Business Administration degree from The University of Sydney, a Master of Laws degree from the University of Wolverhampton, United Kingdom, and a Diploma in Management Accounting from The Chinese University of Hong Kong.

Mr. Tsim is also a member of the Audit Committee of the Company.

For the financial year ended 30 June 2012, Mr. Tsim received a fee of HK$240,000 including the fee for acting as a member of the Audit Committee of the Company. Except the above fee, Mr. Tsim did not receive any other emoluments during the said financial year.

John Anthony MILLER, *Non-Executive Director*

Mr. John Anthony Miller, SBS, OBE, was appointed Director of the Company in November 2010. Mr. Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, a Director of RoadShow Holdings Limited since 20 March 2008, and a Director of SUNeVision Holdings Ltd. since 1 December 2011. He is also Chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited. Mr. Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organisation in Geneva. Key positions held over a career spanning 35 years prior to Mr. Miller's retirement include Permanent Secretary for Financial Services and the Treasury (2002-2004), Director of Housing and Chief Executive of the Housing Authority (1996-2002), Director-General of Trade (1993-1996), Director of Marine (1991-1993), Information Coordinator in the Chief Secretary's Office (1989-1991) and Private Secretary to the Governor (1979-1982). Mr. Miller holds an MPA degree from Harvard University and a BA degree from London University.

For the financial year ended 30 June 2012, Mr. Miller received a fee of HK$120,000. Except the above fee, Mr. Miller did not receive any other emoluments during the said financial year.

LI Ka-cheung, Eric, *JP, Independent Non-Executive Director*

Dr. Eric Li, GBS, OBE, JP, LLD, DSocSc., B.A., FCPA (Practising), FCA, FCPA (Aust.), FCIS, was appointed Director of the Company in October 1996. Dr. Li is the senior partner of Li, Tang, Chen & Co., Certified Public Accountants, an independent non-executive director of Transport International Holdings Limited, Wong's International (Holdings) Limited, Hang Seng Bank Limited, China Resources Enterprise Limited, Roadshow Holdings Limited and Bank of Communications Co., Ltd.. Dr. Li was a non-executive director of Sun Hung Kai Properties Limited ("SHKP") and has been re-designated as an independent non-executive director of SHKP with effect from 19 March 2009. Dr. Li previously held directorships in CATIC International Holdings Limited, Sinofert Holdings Limited (formerly Sinochem Hong Kong Holdings Limited), Strategic Global Investments plc. and Meadville Holdings Limited. Meadville Holdings Limited had withdrawn its listing status with The Stock Exchange of Hong Kong Limited with effect from 19 April 2010.

Dr. Li is a member of the 12th National Committee of Chinese People's Political Consultative Conference, an advisor to Ministry of Finance on international accounting standards, a convenor cum member of the Financial Reporting Review Panel, a member of the Commission on Strategic Development, a former member of the Legislative Council of Hong Kong and Chairman of its Public Accounts Committee. He was also a past president of the Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants).

Dr. Li is also the chairman of the Remuneration Committee and the Audit Committee of the Company.

For the financial year ended 30 June 2012, Dr. Li received a fee of HK$240,000 including the fee for acting as the chairman of the Audit Committee of the Company. Except the above fee, Dr. Li did not receive any other emoluments during the said financial year.

NG Leung-sing, *JP, Independent Non-Executive Director*

Mr. Ng Leung-sing was appointed Director of the Company in June 1997. Mr. Ng is a Hong Kong Deputy to the 10th, 11th and 12th National People's Congress, P.R.C., a member of the Legislative Council of the Hong Kong Special Administrative Region, the Chairman of Bank of China (Hong Kong) Trustees Limited, the Vice Chairman of The Chiyu Banking Corporation Limited and a director of the BOCHK Charitable Foundation. Mr. Ng was the General Manager of Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009, the executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. Mr. Ng has been appointed a member of the board of Management of the Chinese Permanent Cemeteries since June 2009 and a member of the Board of MTR Corporation Limited, Hong Kong since December 2007, he was previously a member of the managing board of The Kowloon-Canton Railway Corporation, Hong Kong.

Mr. Ng had been appointed as the Chinese Representative of the Sino-British Land Commission and the trustee of Hong Kong Government Land Fund from 1988 to 1997. He was a member of the Corporate Contribution Programme Organisation Committee of the Hong Kong Community Chest from 1992 to 1996 and a member of the Hong Kong Housing Authority from 1996 to 2004. Mr. Ng was also a member of the Legislative Council of Hong Kong from 1996 to 2004 and a member of The Court of The Lingnan University since 1999. Mr. Ng was appointed as the Justice of the Peace in 2001, and was awarded the Silver Bauhinia Star by the HKSAR government in 2004.

Mr. Ng is also a member of the Remuneration Committee, the Nomination Committee and the Audit Committee of the Company.

For the financial year ended 30 June 2012, Mr. Ng received a fee of HK$240,000 including the fee for acting as a member of the Audit Committee of the Company. Except the above fee, Mr. Ng did not receive any other emoluments during the said financial year.

YANG Xiang-dong, *Independent Non-Executive Director*

Mr. Yang Xiang-dong was appointed Director of the Company in December 2003.

Mr. Yang has been Managing Director and Co-Head of Carlyle Asia Partners of The Carlyle Group since 2001. Prior to joining Carlyle, Mr. Yang spent 9 years at Goldman Sachs, where he was a Managing Director and Co-Head of Goldman's private equity investment for Asia ex-Japan.

Mr. Yang serves on the board of China Pacific Insurance (Group) Company Limited.

Mr. Yang received his B.A. in economics from Harvard University and M.B.A. from Harvard Business School.

For the financial year ended 30 June 2012, Mr. Yang received a fee of HK$120,000. Except the above fee, Mr. Yang did not receive any other emoluments during the said financial year.

GAN Fock-kin, Eric, *Independent Non-Executive Director*

Mr. Eric Gan was appointed Director of the Company in December 2005. Mr. Gan is the Founder and President of eAccess Limited, the fourth 3G mobile operator (EMOBILE brand) in Japan. From January 2013, eAccess has successfully merged with Softbank (the third largest carrier in Japan).

Prior to the establishment of eAccess, Mr. Gan worked as a telecom analyst and Managing Director for Goldman Sachs Japan when he was involved in many telecommunication financing deals in Japan/Asia, including the listing of SmarTone, NTT DoCoMo (one of the world's largest IPOs), NTT equity tranches and many other telecom related IPO and advisory projects.

Mr. Gan was born in Hong Kong and graduated from Imperial College, University of London. Mr. Gan now lives in Japan (since 1990).

Mr. Gan is also the chairman of the Nomination Committee and a member of the Audit Committee of the Company.

For the financial year ended 30 June 2012, Mr. Gan received a fee of HK$240,000 including the fee for acting as a member of the Audit Committee of the Company. Except the above fee, Mr. Gan did not receive any other emoluments during the said financial year.

IP YEUNG See-ming, Christine, *Independent Non-Executive Director*

Mrs. Christine Ip was appointed Director of the Company in November 2012. Mrs. Ip is currently Managing Director of United Overseas Bank Limited ("UOB") and is responsible for developing Greater China strategy for the Bank. Mrs. Ip has been appointed as United Overseas Bank Hong Kong Office CEO with effect from January 2012.

Mrs. Ip is a seasoned banker with more than 26 years of experience in both Consumer and Corporate Banking, and she has significant experience in China. Prior to joining UOB, Mrs. Ip has held a range of senior management positions in product and sales management, customer segment management and risk management in Hong Kong, the United States, Canada, Singapore and China with Australia and New Zealand Bank, Standard Chartered Bank and HSBC.

Mrs. Ip's achievements have brought her the Asia Retail Congress award for "Best International Retail Banker" in 2008.

Mrs. Ip holds a Bachelor Degree of Arts from University of Hong Kong and MBA from Hong Kong University of Science and Technology. Mrs. Ip is also an Associate of the Institute of Bankers.

Mrs. Ip did not receive any fee or any emoluments during the financial year ended 30 June 2012.

Notes:

Saved as disclosed in the Directors' respective biographical details under this section, the Directors (1) have not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) do not hold any other positions in the Company and its subsidiaries; and (3) do not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contracts have been signed between the Company and the Directors (except Executive Directors) and there is no fixed term of their service with the Company. Their appointments are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. They are entitled to directors' fees which are determined by the Board under the authority granted by shareholders at annual general meetings. The fees are subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Company and Mr. Douglas Li, Executive Director, entered into an employment contract dated 31 May 2001 under which Mr. Li has been appointed to act as Executive Director and Chief Executive Officer of the Group with effect from 17 July 2001 with no fixed term of service. He is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to an annual bonus, the computation of which is based on the profitability of the Group. Mr. Li's appointment as Executive Director is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Li is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Company and Mr. Chan Kai-lung, Patrick, Executive Director, entered into an employment contract dated 1 May 2002 under which Mr. Chan has been appointed to act as Executive Director of the Group with effect from 15 May 2002 with no fixed term of service. He is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to discretionary bonus, the computation of which is based on his performance and profitability of the Group. Mr. Chan's appointment as Executive Director is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Chan is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Directors' interests in shares of the Company or any of its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance as at 31 December 2012 are disclosed in "Directors' and chief executive's interests" section on pages 40 to 42 of this Interim Report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF
SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated interim financial information set out on pages 15 to 39, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2012 and the related condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity 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 information 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 condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 February 2013

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 31 December 2012 $000	2011 $000 (Note 23)
Service revenue		**2,869,028**	2,806,754
Handset and accessory sales		**3,019,059**	2,253,267
Revenues	6	**5,888,087**	5,060,021
Cost of inventories sold		**(2,927,251)**	(2,231,638)
Staff costs		**(345,699)**	(316,510)
Other operating expenses		**(1,078,116)**	(1,106,100)
Depreciation, amortisation and loss on disposal		**(921,561)**	(764,316)
Operating profit		**615,460**	641,457
Finance income	7	**6,889**	15,020
Finance costs	8	**(65,897)**	(73,690)
Profit before income tax	9	**556,452**	582,787
Income tax expense	10	**(90,441)**	(97,032)
Profit after income tax		**466,011**	485,755
Attributable to			
Equity holders of the Company		**459,399**	475,342
Non-controlling interests		**6,612**	10,413
		466,011	485,755
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	11		
Basic		**44.3**	46.2
Diluted		**44.1**	46.1
Interim dividend declared	12	**456,506**	473,702

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012
(Expressed in Hong Kong dollars)

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

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2012 and 30 June 2012
(Expressed in Hong Kong dollars)

	Note	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Non-current assets			
Leasehold land and land use rights		15,354	15,650
Fixed assets	13	2,894,451	2,529,922
Interest in an associate		3	3
Intangible assets	14	2,690,429	2,601,660
Deposits and prepayments	15	99,014	70,084
Deferred income tax assets		5,392	3,670
		5,704,643	5,220,989
Current assets			
Inventories		183,406	255,236
Financial investments	16	4,904	82,678
Trade receivables	15	384,091	341,311
Deposits and prepayments	15	168,313	157,665
Other receivables	15	68,896	77,380
Pledged bank deposits		6,269	8,727
Short-term bank deposits		68,518	56,469
Cash and cash equivalents		1,507,009	1,268,400
		2,391,406	2,247,866
Current liabilities			
Trade payables	17	927,508	615,533
Other payables and accruals		757,982	892,104
Current income tax liabilities		224,021	174,094
Bank borrowings	18	30,477	–
Customer prepayments and deposits		915,102	866,982
Deferred income		242,416	192,731
Mobile licence fee liabilities		169,710	167,156
		3,267,216	2,908,600
Net current liabilities	2	(875,810)	(660,734)
Total assets less current liabilities		4,828,833	4,560,255
Non-current liabilities			
Customer prepayments and deposits		454,688	347,856
Asset retirement obligations		62,082	61,296
Bank borrowings	18	358,937	66,000
Mobile licence fee liabilities		602,468	707,187
Deferred income tax liabilities		235,699	203,355
		1,713,874	1,385,694
Net assets		3,114,959	3,174,561

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2012 and 30 June 2012
(Expressed in Hong Kong dollars)

	Note	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Capital and reserves			
Share capital	19	**103,751**	103,672
Reserves		**2,940,973**	3,007,266
Total equity attributable to equity holders of the Company		**3,044,724**	3,110,938
Non-controlling interests		**70,235**	63,623
Total equity		**3,114,959**	3,174,561

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2012
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Net cash generated from operating activities	**1,976,845**	1,671,472
Net cash used in investing activities	**(1,523,323)**	(1,129,307)
Net cash used in financing activities	**(214,851)**	(24,067)
Net increase in cash and cash equivalents	**238,671**	518,098
Effect of foreign exchange rate change	**(62)**	(121)
Cash and cash equivalents at 1 July	**1,268,400**	819,781
Cash and cash equivalents at 31 December	**1,507,009**	1,337,758

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012
(Expressed in Hong Kong dollars)

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital $000	Share premium $000	Revaluation reserve $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Exchange reserve $000	Retained profits $000	Total $000	Non-controlling interests $000	Total $000
At 1 July 2011	102,839	78,894	400	10,260	1,787,364	3,357	5,112	874,650	2,862,876	45,808	2,908,684
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	475,342	475,342	10,413	485,755
Other comprehensive income/(losses)											
Fair value loss on financial investments, net of tax	–	–	(400)	–	–	–	–	–	(400)	–	(400)
Currency translation differences	–	–	–	–	–	–	1,966	–	1,966	–	1,966
Total comprehensive income for the period ended 31 December 2011	–	–	(400)	–	–	–	1,966	475,342	476,908	10,413	487,321
Transactions with owners											
Issue of shares	140	7,502	–	–	–	(1,373)	–	–	6,269	–	6,269
Share-based payments	–	–	–	–	–	26,073	–	–	26,073	–	26,073
Payment of 2011 final dividend	–	–	–	–	–	–	–	(432,511)	(432,511)	–	(432,511)
Total transactions with owners	140	7,502	–	–	–	24,700	–	(432,511)	(400,169)	–	(400,169)
At 31 December 2011	102,979	86,396	–	10,260	1,787,364	28,057	7,078	917,481	2,939,615	56,221	2,995,836

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012
(Expressed in Hong Kong dollars)

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital $000	Share premium $000	Revaluation reserve $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Exchange reserve $000	Retained profits $000	Total $000	Non-controlling interests $000	Total $000
At 1 July 2012	103,672	161,239	–	10,260	1,313,533	50,434	6,781	1,465,019	3,110,938	63,623	3,174,561
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	459,399	459,399	6,612	466,011
Other comprehensive income											
Fair value gain on financial investments, net of tax	–	–	3,006	–	–	–	–	–	3,006	–	3,006
Currency translation differences	–	–	–	–	–	–	267	–	267	–	267
Total comprehensive income for the period ended 31 December 2012	–	–	3,006	–	–	–	267	459,399	462,672	6,612	469,284
Transactions with owners											
Issue of shares	47	6,445	–	–	–	(1,052)	–	–	5,440	–	5,440
Share-based payments	–	–	–	–	–	10,773	–	–	10,773	–	10,773
Payment of 2012 final dividend	32	4,583	–	–	(549,714)	–	–	–	(545,099)	–	(545,099)
Total transactions with owners	79	11,028	–	–	(549,714)	9,721	–	–	(528,886)	–	(528,886)
At 31 December 2012	103,751	172,267	3,006	10,260	763,819	60,155	7,048	1,924,418	3,044,724	70,235	3,114,959

The notes on pages 22 to 39 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "HKSE").

These unaudited condensed consolidated interim financial information ("Interim Financial Statements") are presented in units of Hong Kong dollars, unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 18 February 2013.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2012 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by $875,810,000 as at 31 December 2012 (30 June 2012: $660,734,000). The growth in subscriptions of handset bundled plans resulted in corresponding increases in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding the non-refundable customer prepayments of $846,210,000 (30 June 2012: $788,373,000) included in current liabilities, the Group would have net current liabilities of $29,600,000 as at 31 December 2012 (30 June 2012: net current assets of $127,639,000). The future funding requirements of the Group are expected to be met through the internal cash resources and available banking facilities. Based on the Group's history of its operating performance and its expected future working capital requirements, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, these Interim Financial Statements have been prepared on a going concern basis.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2012, as described in those annual financial statements.

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

(Expressed in Hong Kong dollars)

3 Accounting policies *(continued)*

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgement made by management in applying the Group's accounting policies and the key sources of estimation uncertainly were the same as those applied to the consolidated financial statements for the year ended 30 June 2012.

5 Financial risk management

The Group's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2012.

There have been no changes in any risk management policies since year end.

6 Segment information

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

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

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

(a) Segment results

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

6 Segment information *(continued)*

(a) Segment results *(continued)*

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

(b) Segment assets

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

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

7 Finance income

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Interest income from listed debt securities	**443**	6,384
Interest income from unlisted debt securities	**–**	1,961
Interest income from bank deposits	**6,125**	6,564
Accretion income	**321**	111
	6,889	15,020

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

8 Finance costs

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Interest expense on bank borrowings	**2,411**	2,188
Bank charges for credit card instalment	**15,328**	20,417
Accretion expenses		
Mobile licence fee liabilities	**46,861**	49,865
Asset retirement obligations	**1,297**	1,220
	65,897	73,690

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

9 Profit before income tax

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

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Charging:		
Cost of services provided	**235,821**	308,143
Operating lease rentals for land and buildings, transmission sites and leased lines	**431,807**	375,823
Impairment loss of financial investments	**–**	19,591
Impairment loss of trade receivables (note 15)	**8,306**	10,505
Impairment loss of inventories	**10,880**	2,180
Loss on disposal of fixed assets	**1,325**	3,306
Share-based payments	**10,773**	26,073
Crediting:		
Net exchange gain	**644**	524

10 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rate prevailing in the country in which the Group operates.

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

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Current income tax		
Hong Kong profits tax	**55,954**	76,806
Overseas tax	**3,865**	5,452
Deferred income tax	**30,622**	14,774
	90,441	97,032

11 Earnings per share

(a) Basic

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

	Unaudited six months ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company ($000)	**459,399**	475,342
Weighted average number of ordinary shares in issue	**1,037,049,769**	1,029,166,351
Basic earnings per share (cents per share)	**44.3**	46.2

(b) Diluted

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

	Unaudited six months ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company ($000)	**459,399**	475,342
Weighted average number of ordinary shares in issue	**1,037,049,769**	1,029,166,351
Adjustment for dilutive share options	**4,712,434**	2,833,490
Weighted average number of ordinary shares for diluted earnings per share	**1,041,762,203**	1,031,999,841
Diluted earnings per share (cents per share)	**44.1**	46.1

12 Dividends

(a) In respect of the period

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

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

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

(b) Attributable to prior year paid in the period

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Final dividend of 53 cents (2011: 42 cents) per share	**549,714**	432,511

13 Fixed assets

	Unaudited $000
Opening net book amount at 1 July 2012	**2,529,922**
Additions	**637,461**
Disposals	**(3,426)**
Exchange differences	**52**
Depreciation	**(269,558)**
Closing net book amount at 31 December 2012	**2,894,451**
Opening net book amount at 1 July 2011	2,110,483
Additions	299,923
Disposals	(5,804)
Exchange differences	344
Depreciation	(257,264)
Closing net book amount at 31 December 2011	2,147,682

During the six months ended 31 December 2012, major fixed assets acquired by the Group included network and testing equipment, including network under construction amounting to $515,983,000.

At 31 December 2012, buildings with carrying amount of $91,031,000 (30 June 2012: $92,250,000) were pledged as security for bank borrowings of the Group (note 18).

14 Intangible assets

	Unaudited		
	Handset subsidies $000	Mobile licence fees $000	Total $000
Opening net book amount at 1 July 2012	**1,269,398**	**1,332,262**	**2,601,660**
Additions	**764,930**	**–**	**764,930**
Amortisation	**(578,421)**	**(71,915)**	**(650,336)**
Disposal	**(25,825)**	**–**	**(25,825)**
Closing net book amount at 31 December 2012	**1,430,082**	**1,260,347**	**2,690,429**
Opening net book amount at 1 July 2011	1,096,253	1,424,318	2,520,571
Additions	687,652	–	687,652
Amortisation	(462,554)	(40,850)	(503,404)
Disposal	(10,576)	–	(10,576)
Closing net book amount at 31 December 2011	1,310,775	1,383,468	2,694,243

15 Trade and other receivables

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Trade receivables	**402,411**	362,396
Less: provision for impairment of trade receivables	**(18,320)**	(21,085)
Trade receivables – net	**384,091**	341,311
Deposits and prepayments	**267,327**	227,749
Other receivables	**68,896**	77,380
	720,314	646,440
Less: deposits and prepayments included under non-current assets	**(99,014)**	(70,084)
Current assets	**621,300**	576,356

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

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

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

The Group has recognised a loss of $8,306,000 (2011: $10,505,000) for the impairment of its trade receivables during the six months ended 31 December 2012. The loss has been included in "other operating expenses" in the condensed consolidated profit and loss account.

16 Financial investments

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Available-for-sale financial assets (a)	**4,904**	3,485
Held-to-maturity debt securities (b)	**–**	79,193
	4,904	82,678

(a) Available-for-sale financial assets

	Unaudited $000
At 1 July 2012	**3,485**
Distributions	**(1,587)**
Change in fair value	**3,006**
At 31 December 2012	**4,904**

The available-for-sale financial assets are denominated in United States ("US") dollars, unlisted and traded on inactive markets and of private issuers.

The available-for-sale financial assets are stated at fair values based on the net asset value per unit of the respective funds as determined by the managers of the relevant funds.

(b) Held-to-maturity debt securities

	Unaudited $000
At 1 July 2012	**79,193**
Amortisation	**(1,618)**
Redemption upon maturity	**(77,560)**
Exchange differences	**(15)**
At 31 December 2012	**–**

During the six months ended 31 December 2012, no gain or loss arose on the disposal of held-to-maturity debt securities (2011: same).

17 Trade payables

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

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Current to 30 days	**802,104**	472,264
31 – 60 days	**67,055**	121,304
61 – 90 days	**35,039**	3,016
Over 90 days	**23,310**	18,949
	927,508	615,533

18 Bank borrowings

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Current		
Unsecured bank borrowings	**30,477**	–
Non-current		
Secured bank borrowings	**66,000**	66,000
Unsecured bank borrowings	**292,937**	–
	358,937	66,000
	389,414	66,000

18 Bank borrowings *(continued)*

The maturity of bank borrowings are as follows:

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Unsecured bank borrowings repayable		
Within 1 year	30,477	–
Between 2 and 5 years	155,462	–
Over 5 years	137,475	–
	323,414	–
Secured bank borrowings repayable		
Within 1 year	–	–
Between 2 and 5 years	12,420	9,947
Over 5 years	53,580	56,053
	66,000	66,000

At 31 December 2012, bank borrowings of $66,000,000 are secured by certain buildings of the Group (note 13) (30 June 2012: same).

Movements in bank borrowings are analysed as follows:

	Unaudited $000
Six months ended 31 December 2012	
Opening amount as at 1 July 2012	66,000
Drawdown	352,481
Payment of transaction costs	(29,067)
Closing amount as at 31 December 2012	389,414

	Unaudited $000
Six months ended 31 December 2011	
Opening amount as at 1 July 2011	550,000
Drawdown	150,000
Repayment	(50,000)
Closing amount as at 31 December 2011	650,000

19 Share capital

	Unaudited Shares of $0.1 each	Unaudited $000
Authorised		
At 1 July 2012 and 31 December 2012	**2,000,000,000**	**200,000**
Issued and fully paid		
At 1 July 2012	**1,036,721,142**	**103,672**
Issue of new shares upon exercise of share options (a)	**475,000**	**47**
Issue of shares in lieu of cash dividends (b)	**317,878**	**32**
At 31 December 2012	**1,037,514,020**	**103,751**

(a) During the six months ended 31 December 2012, options were exercised to subscribe for 475,000 shares in the Company at a consideration of $5,440,000, of which $47,000 was credited to share capital and the balance of $5,393,000 was credited to the share premium account. In respect of the options exercised, an amount of $1,052,000 was reversed from the employee share-based compensation reserve and credited to the share premium account.

(b) On 6 November 2012, the shareholders approved a final dividend of 53 cents per share for the year ended 30 June 2012. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. On 17 December 2012, 317,878 shares were issued at $14.516 per share in respect of the final dividend.

20 Share option scheme

Movements of the share options granted to the participants pursuant to the Company's share option schemes during the six months ended 31 December 2012 are as follows:

(a) Movements in share options

	Unaudited Average exercise price per share	Unaudited Number of share options
At 1 July 2012	**$12.71**	**34,497,500**
Exercised	**$11.46**	**(475,000)**
Cancelled or lapsed	**$13.04**	**(600,000)**
At 31 December 2012	**$12.72**	**33,422,500**
Share options fully vested and exercisable at 31 December 2012	**$12.45**	**10,989,000**

20 Share option scheme *(continued)*

(b) Terms of unexpired and unexercised share options at balance sheet date

Date of grant	Exercise period	Exercise price per share	Unaudited 31 December 2012 Number of share options	Audited 30 June 2012 Number of share options
5 February 2004	5 February 2005 to 4 February 2014	$4.50	**470,000**	546,000
13 June 2011	13 June 2012 to 12 June 2016	$12.78	**31,535,000**	32,084,000
30 September 2011	30 September 2012 to 29 September 2016	$13.12	**315,000**	765,000
31 October 2011	31 October 2012 to 30 October 2016	$14.96	**150,000**	150,000
30 November 2011	30 November 2012 to 29 November 2016	$13.02	**277,500**	277,500
30 December 2011	30 December 2012 to 29 December 2016	$13.52	**375,000**	375,000
29 February 2012	1 March 2013 to 28 February 2017	$16.56	**300,000**	300,000
			33,422,500	34,497,500

(c) Details of share options exercised

Share options exercised during the period resulted in 475,000 shares (six months ended 31 December 2011: 1,393,000 shares) being issued. The related weighted average share price at the time of exercise was $15.26 per share (six months ended 31 December 2011: $15.36 per share).

21 Commitments and contingent liabilities

(a) Capital commitments

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Contracted for		
Fixed assets	**363,523**	417,148
Authorised but not contracted for	**343,627**	881,167
	707,150	1,298,315

(b) Operating lease commitments

The Group leases various retail stores, offices, warehouses, transmission sites, leased lines and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

21 Commitments and contingent liabilities *(continued)*

(b) Operating lease commitments *(continued)*

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Land and buildings and transmission sites		
No later than 1 year	**483,665**	475,539
Later than 1 year and no later than 5 years	**391,810**	368,988
Later than 5 years	**71**	10,587
	875,546	855,114
Leased lines		
No later than 1 year	**167,717**	136,113
Later than 1 year and no later than 5 years	**688,413**	468,685
Later than 5 years	**951,018**	412,751
	1,807,148	1,017,549
Equipment		
No later than 1 year	**3,996**	4,000
Later than 1 year and no later than 5 years	**5,928**	7,934
	9,924	11,934

(c) Performance bonds

	Unaudited 31 December 2012 $000	Audited 30 June 2012 $000
Hong Kong	**544,227**	704,973
Macau	**3,883**	3,883
	548,110	708,856

The performance bonds were issued by certain banks in favour of the Telecommunications Authorities of Hong Kong and Macau in accordance with various telecommunications licences issued by those authorities to the Group. The banks' obligations under the performance bonds are guaranteed by the Company and various subsidiaries of the Company.

21 Commitments and contingent liabilities *(continued)*

(d) Lease out, lease back agreement

Under the lease out, lease back agreement entered into during the year ended 30 June 1999, a subsidiary of the Company has undertaken to guarantee the obligations of the intermediary lessees to the lessors as agreed at the inception of the lease for a period of 16 years. During the six months ended 31 December 2012, the subsidiary company entered into termination agreements whereby the lessees exercise its option to purchase the lease assets. As a result, there are no contingent liabilities as at 31 December 2012.

(e) At 31 December 2012, the Company and certain of its subsidiaries have provided corporate guarantee for general banking facilities granted to a wholly owned subsidiary of US$85,110,000 (approximately $659,770,000), of which US$45,470,000 (approximately $352,481,000) of the banking facilities were utilised by the subsidiary.

22 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 63.73% of the Company's shares as at 31 December 2012. The remaining 36.27% of the shares are widely held, of which 2.73% is held by another subsidiary of Sun Hung Kai Properties Limited ("SHKP"). The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

(a) During the six months ended 31 December 2012, the Group had significant transactions with certain fellow subsidiaries and associates of SHKP in the ordinary course of business as set out below. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions.

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Operating lease rentals for land and buildings and transmission sites (i)	**49,597**	44,991
Insurance expenses (ii)	**3,196**	2,411

(i) Operating lease rentals for land and buildings and transmission sites

Certain subsidiaries and associated companies of SHKP have leased premises to the Group for use as offices, retail stores and warehouses and have granted licences to the Group for the installation of base stations, antennae and telephone cables on certain premises owned by them.

For the six months ended 31 December 2012, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled $49,597,000 (2011: $44,991,000).

(ii) Insurance expenses

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. For the six months ended 31 December 2012, insurance premiums paid and payable were $3,196,000 (2011: $2,411,000).

22 Related party transactions *(continued)*

(b) At 31 December 2012, the Group has an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

(c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Unaudited six months ended 31 December	
	2012	2011
	$000	$000
Salaries, bonuses and other short-term employee benefits	**28,118**	23,072
Share-based payments	**5,059**	11,109
	33,177	34,181

(d) The trading balances set out below with SHKP and its subsidiaries and associated companies (the "SHKP Group"), including buildings and estates managed by the SHKP Group are included within the relevant balance sheet items:

	Unaudited 31 December 2012	Audited 30 June 2012
	$000	$000
Trade receivables (note 15)	**1,169**	1,200
Deposits and prepayments (note 15)	**10,043**	8,762
Other receivables (note 15)	**173**	154
Trade payables (note 17)	**459**	54
Other payables and accruals	**3,413**	2,470

The trading balances are unsecured, interest-free and repayable on similar terms to those offered to unrelated parties.

23 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2012 and 30 June 2012, or on the Group's profit for the periods ended 31 December 2012 and 2011.

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(Financial figures are expressed in Hong Kong dollars)

Interim dividend

The Directors declared an interim dividend of 44 cents per share for the six months ended 31 December 2012 (2011: 46 cents). The interim dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). The Directors may, after having made enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in relation to the Scrip Dividend Scheme, exclude any shareholder outside Hong Kong from the Scrip Dividend Scheme provided that the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Such shareholders will receive the interim dividend in cash. A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Thursday, 14 March 2013.

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

The interim dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Monday, 15 April 2013 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 5 March 2013.

Closure of register of members

The record date for entitlement to the interim dividend is Tuesday, 5 March 2013. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Tuesday, 5 March 2013, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 4 March 2013.

Directors' and chief executive's interests

As at 31 December 2012, the interests or 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 "HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the required standard of dealings by Directors as referred to in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the HKSE, were as follows:

1. Long positions in shares and underlying shares of the Company

	Number of shares held				
Name of Director	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Kwok Ping-luen, Raymond	4,475,534[1]	4,475,534	–	4,475,534	0.43
Douglas Li	–	–	10,000,000[2]	10,000,000	0.96
Chan Kai-lung, Patrick	–	–	2,000,000[2]	2,000,000	0.19

(Financial figures are expressed in Hong Kong dollars)

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.

2. These underlying shares of the Company represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company. Details of these share options are shown in the section entitled "Share Option Scheme".

2. Long positions in shares and underlying shares of the associated corporations of the Company

(a) Sun Hung Kai Properties Limited ("SHKP")

	Number of shares held					
Name of Director	Personal interests (held as beneficial owner)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Kwok Ping-luen, Raymond	78,541	425,652,938[1]	425,731,479	100,000[2]	425,831,479	16.03
David Norman Prince	2,000	–	2,000	–	2,000	0
Yung Wing-chung	–	–	–	45,000[2]	45,000	0
Siu Hon-wah, Thomas	–	7,000[3]	7,000	–	7,000	0
Li Ka-cheung, Eric	–	4,028[4]	4,028	–	4,028	0

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SHKP by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.

2. These underlying shares of SHKP represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SHKP under its share option scheme. Details of these share options are shown below:

				Number of share options				
Name of Director	Date of grant	Exercise price $	Exercise period	Outstanding at 1 July 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2012
Kwok Ping-luen, Raymond	12 July 2010	111.40	12 July 2011 to 11 July 2015	100,000*	–	–	–	100,000
Yung Wing-chung	12 July 2010	111.40	12 July 2011 to 11 July 2015	45,000*	–	–	–	45,000

* The share options can be exercised up to 30% of the grant during the period from 12 July 2011 to 11 July 2012, up to 60% of the grant during the period from 12 July 2012 to 11 July 2013 and in whole or in part of the grant during the period from 12 July 2013 to 11 July 2015.

(Financial figures are expressed in Hong Kong dollars)

3. These shares in SHKP were held jointly by Mr. Siu Hon-wah, Thomas and his spouse.

4. These shares in SHKP were held by the spouse of Dr. Li Ka-cheung, Eric.

(b) SUNeVision Holdings Ltd. ("SUNeVision")

	Number of shares held				
Name of Director	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Kwok Ping-luen, Raymond	3,485,000[1]	3,485,000	–	3,485,000	0.15

Note:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SUNeVision by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.

(c) Mr. Kwok Ping-luen, Raymond had the following interests in shares of the following associated corporations:

Name of associated corporation	Attributable holding through corporation	Attributable % of shares in issue through corporation	Actual Holding through corporation	Actual % interests in issued shares
Splendid Kai Limited	2,500	25	1,500[1]	15
Hung Carom Company Limited	25	25	15[1]	15
Tinyau Company Limited	1	50	1[1]	50
Open Step Limited	8	80	4[1]	40

Note:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.

Save as disclosed above, at 31 December 2012, none of the Directors and chief executive (including their spouses and children under 18 years of age) and their respective associates had or deemed to have any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any of its associated corporations that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the HKSE pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

(Financial figures are expressed in Hong Kong dollars)

Share Option Schemes

The Company operates two share option schemes, which are:

(1) share option scheme adopted and become effective on 15 November 2002 and terminated on 8 December 2011 (the "Old Scheme"); and

(2) share option scheme adopted on 2 November 2011 and become effective on 8 December 2011 (the "New Scheme").

Pursuant to the schemes, the Company granted/may grant options to participants, including Directors and employees of the Group, to subscribe for the shares of the Company. No further options can be granted under the Old Scheme upon its termination. However, for the outstanding options granted and yet to be exercised under the Old Scheme, the existing rights of the grantees are not affected.

Movements of the share options granted to the participants pursuant to the Old Scheme and the New Scheme during the six months ended 31 December 2012 are as follows:

				Number of share options				
Grantee	Date of grant	Exercise price $	Exercise period	Outstanding at 1 July 2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2012
Share options granted under the Old Scheme								
Directors								
Douglas Li	13 June 2011	12.78	13 June 2012 to 12 June 2016[2]	10,000,000	–	–	–	10,000,000
Chan Kai-lung, Patrick	13 June 2011	12.78	13 June 2012 to 12 June 2016[2]	2,000,000	–	–	–	2,000,000
Employees under continuous contracts	5 February 2004	4.50	5 February 2005 to 4 February 2014[1]	546,000	–	(76,000)[8]	–	470,000
	13 June 2011	12.78	13 June 2012 to 12 June 2016[2]	20,084,000	–	(399,000)[9]	(150,000)	19,535,000
	30 September 2011	13.12	30 September 2012 to 29 September 2016[3]	765,000	–	–	(450,000)	315,000
	31 October 2011	14.96	31 October 2012 to 30 October 2016[4]	150,000	–	–	–	150,000
	30 November 2011	13.02	30 November 2012 to 29 November 2016[5]	277,500	–	–	–	277,500
Share options granted under the New Scheme								
Employees under continuous contracts	30 December 2011	13.52	30 December 2012 to 29 December 2016[6]	375,000	–	–	–	375,000
	29 February 2012	16.56	1 March 2013 to 28 February 2017[7]	300,000	–	–	–	300,000

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(Financial figures are expressed in Hong Kong dollars)

Notes:

1. The options can be exercised up to one-third from 5 February 2005, up to two-thirds from 5 February 2006 and in whole from 5 February 2007.

2. The options can be exercised up to one-third from 13 June 2012, up to two-thirds from 13 June 2013 and in whole from 13 June 2014.

3. The options can be exercised up to one-third from 30 September 2012, up to two-thirds from 30 September 2013 and in whole from 30 September 2014.

4. The options can be exercised up to one-third from 31 October 2012, up to two-thirds from 31 October 2013 and in whole from 31 October 2014.

5. The options can be exercised up to one-third from 30 November 2012, up to two-thirds from 30 November 2013 and in whole from 30 November 2014.

6. The options can be exercised up to one-third from 30 December 2012, up to two-thirds from 30 December 2013 and in whole from 30 December 2014.

7. The options can be exercised up to one-third from 1 March 2013, up to two-thirds from 1 March 2014 and in whole from 1 March 2015.

8. The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised by the employees under continuous contracts was $15.47 per share.

9. The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised by the employees under continuous contracts was $15.27 per share.

Other than the share options stated above, no share options had been granted by the Company to other participants pursuant to the Old Scheme or the New Scheme. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the period.

(Financial figures are expressed in Hong Kong dollars)

Discloseable interests and short positions of shareholders under the SFO

As at 31 December 2012, the long positions of persons, other than Directors or chief executive of the Company, being 5% or more in the interest in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name	Total number of shares	% of shares in issue
Sun Hung Kai Properties Limited ("SHKP")[1]	689,612,794	66.46%
HSBC Trustee (C.I.) Limited ("HSBC")[2]	690,452,794	66.54%

Notes:

1. TFS Development Company Limited ("TFS") and Cellular 8 Holdings Limited ("Cellular 8", a wholly owned subsidiary of TFS) held 28,335,850 shares and 661,276,944 shares in the Company respectively. For the purpose of Part XV of the SFO, TFS was deemed to be interested in 661,276,944 shares in the Company held by Cellular 8. Accordingly, TFS had interests and deemed interests in an aggregate of 689,612,794 shares in the Company.

   In addition, TFS is a wholly-owned subsidiary of Fourseas Investments Limited ("Fourseas") which in turn is a wholly-owned subsidiary of SHKP. For the purpose of Part XV of the SFO, SHKP and Fourseas were also deemed to be interested in the above-mentioned 689,612,794 shares in the Company.

2. For the purpose of Part XV of the SFO, the interest of SHKP noted above against its name (and the interest of each of its subsidiaries noted above) was also attributed to HSBC by reference to the interests in shares which HSBC held (or was deemed to hold) in SHKP. The number of shares noted above against the name of HSBC therefore duplicates the interest of SHKP.

Save as disclosed above, as at 31 December 2012, no other parties had registered as having an interest of 5% or more in the shares or underlying shares of the Company or having short positions as recorded in the register kept under section 336 of the SFO.

Purchase, sale or redemption of shares

At no time during the six months ended 31 December 2012 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Review of interim results

An Audit Committee has been established by the Company to provide advice and recommendations to the Board. The Audit Committee is currently chaired by Dr. Li Ka-cheung, Eric, an Independent Non-Executive Director with professional accounting expertise, and the other members are Mr. Ng Leung-sing, Mr. Gan Fock-kin, Eric and Mr. Tsim Wing-kit, Alfred, with the majority being Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

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(Financial figures are expressed in Hong Kong dollars)

The Audit Committee held a meeting on 4 February 2013 and reviewed the interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2012. The Committee was satisfied that the accounting polices and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2012 have not been audited but have been reviewed by the Company's external auditors.

The financial information disclosed in this interim report complies with the disclosure requirements of Appendix 16 of the Listing Rules.

Corporate Governance

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2012, the Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") contained in Appendix 14 of the Listing Rules with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. Non-Executive Directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's bye-laws. As such, no Director has a term of appointment longer than three years.

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

Compliance with Model Code for Securities Transactions

The Group adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") contained in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Similar code has also been adopted for relevant employees, who may be in possession of unpublished price-sensitive information, in dealing with the Company's securities. Upon specific enquiry, each Director had confirmed that during the six months ended 31 December 2012, they had fully complied with the required standard set out in the Model Code regarding securities transactions and there was no event of non-compliance.

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

Hong Kong, 18 February 2013

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