# Hutchison Whampoa Limited

Stock Code: 13

# 2013 Interim Report

# Corporate Information

## BOARD OF DIRECTORS

### Chairman

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

### Deputy Chairman

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

### Group Managing Director

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

### Executive Directors

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

Frank John SIXT, MA, LLL
*Group Finance Director*

LAI Kai Ming, Dominic, BSc, MBA

KAM Hing Lam, BSc, MBA

### Non-executive Directors

LEE Yeh Kwong, Charles, GBM, GBS, OBE, JP

George Colin MAGNUS, OBE, BBS, MA

### Independent Non-executive Directors

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

Holger KLUGE, BCom, MBA

LEE Wai Mun, Rose, BBA

William Elkin MOCATTA, FCA
*Alternate to Michael David Kadoorie*

William SHURNIAK, SOM, LLD (Hon)

WONG Chung Hin, CBE, JP

## AUDIT COMMITTEE

WONG Chung Hin *(Chairman)*

Holger KLUGE

William SHURNIAK

## REMUNERATION COMMITTEE

WONG Chung Hin *(Chairman)*

LI Ka-shing

Holger KLUGE

## COMPANY SECRETARY

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

## AUDITOR

PricewaterhouseCoopers

## BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

# Contents

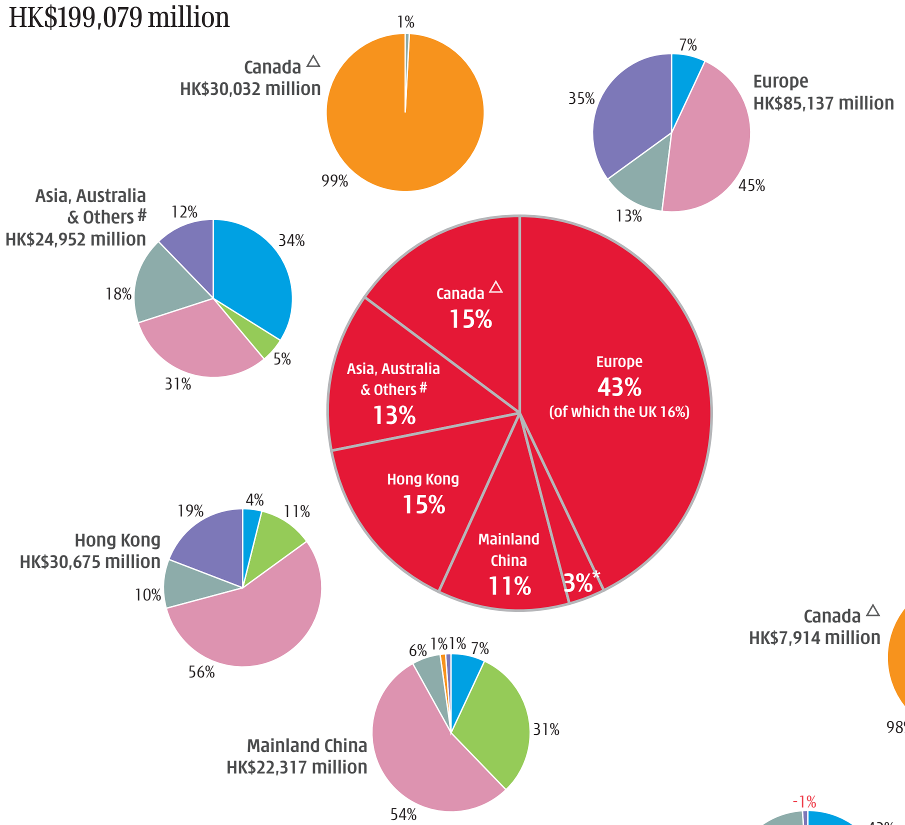
# Analyses of Core Business Segments by Geographical Location

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

## Revenue

for the six months ended 30 June 2013

HK$199,079 million

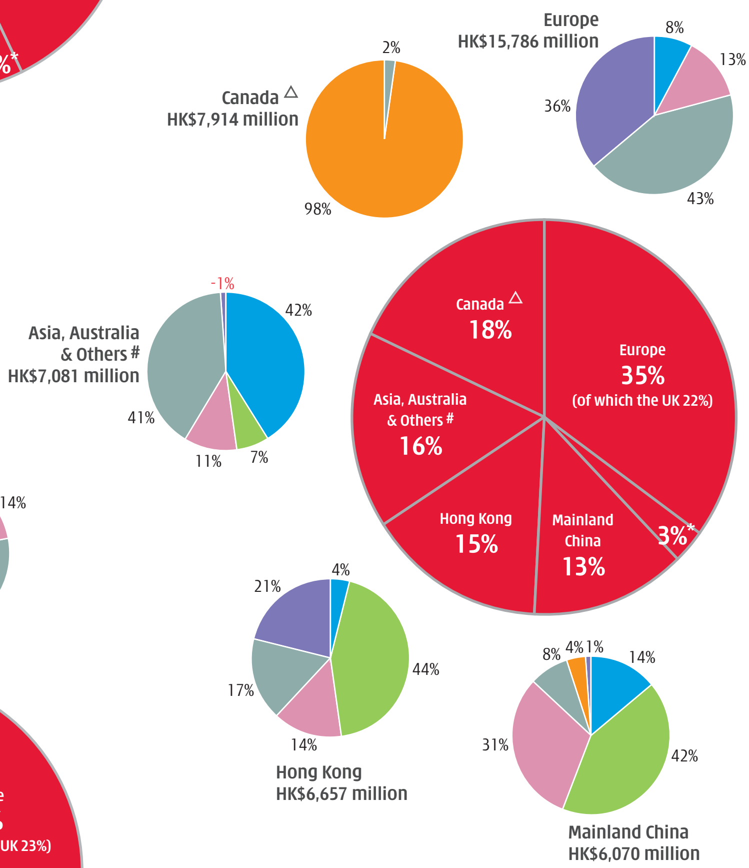



- Ports & Related Services
- Property & Hotels
- Retail
- Infrastructure
- Energy
- Telecommunications

## EBITDA

for the six months ended 30 June 2013

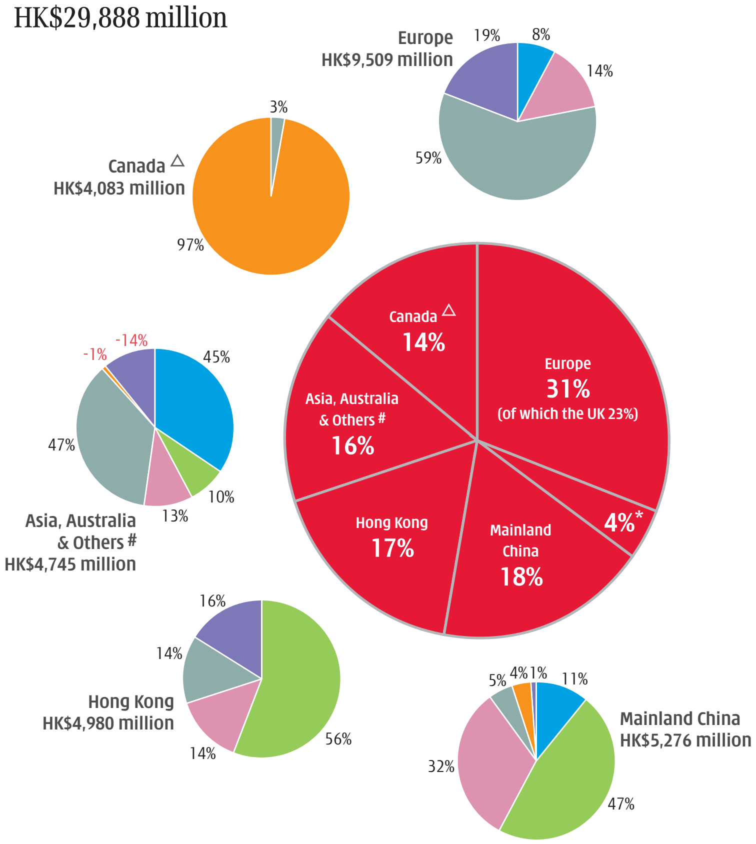
HK$44,939 million




## EBIT

for the six months ended 30 June 2013

HK$29,888 million




* Represents contributions from Finance & Investments and Others
\# Includes Panama, Mexico and the Middle East
△ Includes contribution from the USA for Husky Energy

# Financial Performance Summary

| Note: All comparing against the performance in the first half of 2012 unless indicated otherwise | **For the six months ended 30 June 2013 HK$ millions** | **%** | For the six months ended 30 June 2012 (restated) HK$ millions | % | **Change %** |
|---|---|---|---|---|---|
| **Total Revenue** (1) | | | | | |
| Ports and related services | **16,891** | **9%** | 15,947 | 8% | **6%** |
| *Hutchison Ports Group other than HPH Trust* | *15,529* | *8%* | *14,617* | *7%* | *6%* |
| *HPH Trust* | *1,362* | *1%* | *1,330* | *1%* | *2%* |
| Property and hotels | **11,186** | **6%** | 9,211 | 5% | **21%** |
| Retail | **75,761** | **38%** | 71,059 | 36% | **7%** |
| Cheung Kong Infrastructure | **20,133** | **10%** | 18,994 | 10% | **6%** |
| Husky Energy | **29,911** | **15%** | 29,768 | 15% | **–** |
| Hutchison Telecommunications Hong Kong Holdings | **6,149** | **3%** | 6,730 | 4% | **-9%** |
| Hutchison Asia Telecommunications | **2,981** | **1%** | 1,628 | 1% | **83%** |
| **3** Group Europe | **30,101** | **15%** | 27,990 | 14% | **8%** |
| Finance & Investments and Others | **5,966** | **3%** | 6,018 | 3% | **-1%** |
| **Total Comparable Revenue** (2) | **199,079** | **100%** | 187,345 | 96% | **6%** |
| Reconciliation item (3) | **–** | **–** | 7,648 | 4% | **N/A** |
| **Total Reported Revenue** | **199,079** | **100%** | 194,993 | 100% | **2%** |
| **EBITDA** (1) | | | | | |
| Ports and related services | **5,410** | **12%** | 5,427 | 13% | **–** |
| *Hutchison Ports Group other than HPH Trust* | *4,712* | *10%* | *4,728* | *11%* | *–* |
| *HPH Trust* | *698* | *2%* | *699* | *2%* | *–* |
| Property and hotels | **5,918** | **13%** | 4,966 | 12% | **19%** |
| Retail | **5,609** | **12%** | 5,152 | 13% | **9%** |
| Cheung Kong Infrastructure | **11,469** | **26%** | 10,081 | 25% | **14%** |
| Husky Energy | **7,991** | **18%** | 7,212 | 18% | **11%** |
| Hutchison Telecommunications Hong Kong Holdings | **1,509** | **3%** | 1,451 | 4% | **4%** |
| Hutchison Asia Telecommunications | **(59)** | **–** | (47) | – | **-26%** |
| **3** Group Europe | **5,661** | **13%** | 4,099 | 10% | **38%** |
| Finance & Investments and Others | **1,431** | **3%** | 1,142 | 3% | **25%** |
| **Comparable EBITDA before profits on disposal of investments & others and property revaluation** (2) | **44,939** | **100%** | 39,483 | 98% | **14%** |
| Reconciliation item (3) | **–** | **–** | 868 | 2% | **N/A** |
| **Reported EBITDA before profits on disposal of investments & others and property revaluation** | **44,939** | **100%** | 40,351 | 100% | **11%** |
| **EBIT** (1) | | | | | |
| Ports and related services | **3,449** | **12%** | 3,647 | 14% | **-5%** |
| *Hutchison Ports Group other than HPH Trust* | *3,049* | *10%* | *3,235* | *12%* | *-6%* |
| *HPH Trust* | *400* | *2%* | *412* | *2%* | *-3%* |
| Property and hotels | **5,742** | **19%** | 4,780 | 19% | **20%** |
| Retail | **4,319** | **14%** | 3,952 | 15% | **9%** |
| Cheung Kong Infrastructure | **8,940** | **30%** | 7,863 | 30% | **14%** |
| Husky Energy | **4,152** | **14%** | 3,725 | 14% | **11%** |
| Hutchison Telecommunications Hong Kong Holdings | **834** | **3%** | 801 | 3% | **4%** |
| Hutchison Asia Telecommunications | **(697)** | **-2%** | (675) | -2% | **-3%** |
| **3** Group Europe | **1,854** | **6%** | 1,371 | 5% | **35%** |
| Finance & Investments and Others | **1,295** | **4%** | 934 | 4% | **39%** |
| **Comparable EBIT before profits on disposal of investments & others and property revaluation** (2) | **29,888** | **100%** | 26,398 | 102% | **13%** |
| Reconciliation item (3) | **–** | **–** | (567) | -2% | **N/A** |
| **Reported EBIT before profits on disposal of investments & others and property revaluation** | **29,888** | **100%** | 25,831 | 100% | **16%** |
| Interest expenses and other finance costs (1) | **(7,262)** | | (7,876) | | **8%** |
| Profit before tax | **22,626** | | 17,955 | | **26%** |
| Tax (1) | | | | | |
| – Current tax | **(5,223)** | | (3,528) | | **-48%** |
| – Deferred tax | **(1,794)** | | (1,695) | | **-6%** |
| | **(7,017)** | | (5,223) | | **-34%** |
| Profit after tax | **15,609** | | 12,732 | | **23%** |
| Non-controlling interests and perpetual capital securities holders' interests | **(3,599)** | | (3,023) | | **-19%** |
| **Profit attributable to ordinary shareholders before profits on disposal of investments & others and property revaluation** | **12,010** | | 9,709 | | **24%** |
| Property revaluation, after tax | **32** | | 383 | | **-92%** |
| Profits on disposal of investments & others, after tax (4) | **356** | | – | | **N/A** |
| **Profit attributable to ordinary shareholders** | **12,398** | | 10,092 | | **23%** |

Note 1: Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation ("EBITDA") and earnings before interest expenses and other finance costs and tax ("EBIT"), interest expenses and other finance costs and tax include the Group's proportionate share of associated companies' and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust for the six months ended 30 June 2013 and 2012.

Note 2: To enable a better comparison of underlying performance, comparable revenue, EBITDA and EBIT exclude Hutchison Telecommunications Australia ("HTAL")'s share of Vodafone Hutchison Australia ("VHA")'s results for the first half of 2012.

Note 3: The reconciliation items comprise revenue, EBITDA and EBIT adjustments that relate to HTAL, which represent the results of HTAL and its share of results of VHA for the first half of 2012. VHA's operating losses in the first half of 2013 are included as a charge under "profits on disposal of investments & others, after tax".

Note 4: The profits on disposal of investments and others, after tax for the six months ended 30 June 2013 reflect the recognition of the one-time net gain, after tax of HK$958 million (€95 million), arising from the completion of the Orange Austria transaction, which comprises the gain on disposal of Yesss! in Austria net of one-time provisions relating to the restructuring of **3** Austria's business on the acquisition of Orange Austria and the related tax impact, as well as the Group's share of operating losses of VHA for the first half of 2013 of HK$602 million. No profits on disposal of investments and others, after tax were recorded in the comparable period last year.

# Consolidated Operating Results

## Unaudited Results for the period ended 30 June 2013

| | **For the six months ended June 2013 HK$ millions** | For the six months ended June 2012 (restated) [1] HK$ millions | Change |
|---|---|---|---|
| Total Revenue [2] | **199,079** | 194,993 | +2% |
| EBITDA [2] | **44,939** | 40,351 | +11% |
| EBIT [2] | **29,888** | 25,831 | +16% |
| Profit attributable to ordinary shareholders, before property revaluation and profits on disposal of investments and others | **12,010** | 9,709 | +24% |
| Property revaluation, after tax | **32** | 383 | -92% |
| Profits on disposal of investments and others, after tax [3] | **356** | – | |
| Profit attributable to ordinary shareholders | **12,398** | 10,092 | +23% |
| Earnings per share | **HK$2.91** | HK$2.37 | +23% |
| Recurring earnings per share [4] | **HK$2.82** | HK$2.27 | +24% |
| Interim dividend per share | **HK$0.60** | HK$0.55 | +9% |

Note 1: The comparatives have been restated to reflect the effect of adoption of new and revised accounting policies in 2013. See Note 2 to the accounts.

Note 2: Total revenue, earnings before interest expenses and other finance costs, tax, depreciation and amortisation ("EBITDA") and earnings before interest expenses and other finance costs and tax ("EBIT") include the Group's proportionate share of associated companies' and joint ventures' respective items. Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust for the six months ended 30 June 2013 and 2012. See Note 3 of the accounts on the details of the adjustments.

Note 3: The profits on disposal of investments and others, after tax for the six months ended 30 June 2013 reflect the recognition of the one-time net gain, after tax of HK$958 million, arising from the completion of the Orange Austria transaction, which comprises the gain on disposal of Yesss! in Austria net of one-time provisions relating to the restructuring of **3** Austria's business on the acquisition of Orange Austria and the related tax impact, as well as the Group's share of operating losses of Vodafone Hutchison Australia ("VHA") for the first half of 2013 of HK$602 million. No profits on disposal of investments and others, after tax were recorded in the comparable period last year.

Note 4: Recurring earnings per share is calculated based on profits attributable to ordinary shareholders before property revaluation after tax and profits on disposal of investments and others after tax.

- Total revenue grew 2% to HK$199,079 million.

- EBITDA and EBIT, before property revaluation and profits on disposal of investments and others, grew 11% and 16% respectively.

- Profit attributable to ordinary shareholders and recurring earnings per share, before property revaluation and profits on disposal of investments and others, grew 24%.

- Profit attributable to ordinary shareholders and earnings per share grew 23% to HK$12,398 million and HK$2.91 respectively.

# Chairman's Statement

The Group's operations continued to perform well in the first half of 2013. Despite difficult conditions in many of the major economies in which the Group operates, our businesses overall achieved solid growth. With the exception of our joint venture Vodafone Hutchison Australia ("VHA") and ports and related services division, all other major operating divisions reported increased recurring earnings.

## Results

The Group's recurring profit attributable to ordinary shareholders for the period ended 30 June 2013, before property revaluation gains and profits on disposal of investments and others, was HK$12,010 million, a 24% increase compared to the first half of 2012's profit of HK$9,709 million. Recurring earnings per share was HK$2.82 as compared to HK$2.27 in the first half of 2012.

The Group also reported profit on investment properties revaluation, after tax of HK$32 million for the period ended 30 June 2013 as compared to HK$383 million in 2012. Profits on disposal of investments and others, after tax in the first half of 2013 of HK$356 million comprises the one-time net gain, after tax of HK$958 million recognised on completion of the Orange Austria acquisition transaction, as well as Hutchison Telecommunications (Australia)'s 50% share of VHA's operating losses for the first half of 2013. No profits on disposal of investments and others were recorded in the first half of 2012.

Profit attributable to ordinary shareholders reported for the period ended 30 June 2013 was HK$12,398 million as compared to HK$10,092 million for the first half of 2012, as a result of the one-time items mentioned above.

## Dividends

The Board declares the payment of an interim dividend of HK$0.60 per share (30 June 2012 — HK$0.55 per share), an increase of 9%, payable on Wednesday, 11 September 2013 to those persons registered as shareholders of the Company on Monday, 2 September 2013, being the record date for determining the shareholders' entitlement to the interim dividend.

### Ports and Related Services [1]

The ports and related services division's throughput grew 2% to 37.9 million twenty-foot equivalent units ("TEU") in the first six months of 2013. Total revenue of HK$16,891 million was 6% higher than the same period last year reflecting higher average revenue per TEU and throughput growth in most operations other than the HPH Trust's operations in Hong Kong during the period, where volumes at Kwai Tsing were adversely impacted by an industrial action in the second quarter. As a result of increasing energy and labour costs and the effect of start-up expenses in new and expanded port facilities, EBITDA of HK$5,410 million was flat when compared to the first six months in 2012. EBIT of HK$3,449 million was 5% lower than the same period last year mainly due to higher depreciation charges of HK$181 million, mainly relating to one new berth and expanded facilities in five container terminals located in Europe and Asia, Australia and other regions.

The division opened an additional berth each at Westports Malaysia and Lazaro Cardenas in Mexico in the first half of 2013. Two new berths in Sydney, Australia are also expected to come into operation in late 2013. The division is expected to maintain a steady performance for the remainder of the year and to resume growth in subsequent years as the new berths and ports reach fully operational status, which is typically around two to three years from launch of commercial operation.

### Property and Hotels

The property and hotels division reported total revenue of HK$11,186 million, a 21% increase compared to the first half of 2012. EBITDA and EBIT increased 19% and 20% to HK$5,918 million and HK$5,742 million respectively.

The division's 12.0 million square foot portfolio of rental properties in Hong Kong, together with our attributable share of 2.0 million square foot portfolio in the Mainland and overseas, reported solid occupancy and steady rental growth during the first six months of the year. Reported rental income, including the share of rental income from the commercial properties of our hotels division, increased 14% from the same period last year to HK$2,073 million mainly due to higher rental renewal rates. EBITDA and EBIT from investment properties both increased 15% to HK$1,847 million and HK$1,821 million respectively. Our portfolio is of a high quality and is well located. It is expected to continue performing well in the second half of 2013.

Note 1 : Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust for the six months ended 30 June 2013 and 2012.

The division's hotel portfolio comprising 11 hotels of over 8,500 rooms in which the Group has an average effective interest of approximately 63%, reported a 2% decrease in both EBITDA and EBIT to HK$634 million and HK$500 million respectively mainly due to lower occupancy and average room rates in the hotels in the Mainland.

Our current property development activities are principally focused on the Mainland and Singapore. In the first half of 2013, we completed an attributable share of approximately 2.8 million square feet in gross floor area of residential and commercial properties. In addition, the Group also achieved contracted sales of an attributable interest of approximately 3.8 million square feet during the period and recognised sales on an attributable interest of approximately 3.4 million square feet of developed properties, primarily in the Mainland. EBITDA and EBIT from development properties, gains on disposals and others both grew by 27% to HK$3,437 million and HK$3,421 million respectively. The division's current attributable interest in landbank, largely held through joint ventures with Cheung Kong (Holdings) Ltd, can be developed into approximately 89 million square feet of mainly residential property. In the Mainland, Government initiatives aimed at preventing residential property price inflation continued to dampen market sentiment. We target to complete an attributable share of approximately 6.6 million square feet gross floor area of residential and commercial properties during the second half of 2013 in 10 cities in the Mainland.

## Retail

The retail division delivered another period of strong revenue, earnings and cashflow growth in the first half of 2013. Store numbers totalling 11,093 stores in 33 markets increased 8% compared to 30 June 2012. Total revenue of HK$75,761 million, EBITDA of HK$5,609 million and EBIT of HK$4,319 million, were 7%, 9% and 9% higher respectively than the first half of 2012. Excluding the impact attributable to the expiration of Nuance-Watson's two core licences at the Hong Kong International Airport in late 2012, total revenue, EBITDA and EBIT of the Group's retail businesses, grew by 8%, 12% and 13% respectively. The division reported like-for-like sales growth of 2.7% in Asia and 2.9% in Europe for the first half of 2013.

Despite the difficult trading environment in several European economies, the operations in the region overall were able to increase earnings contribution with EBITDA and EBIT growth of 10% and 13% respectively, through a 4% increase in the portfolio of stores compared to 30 June 2012, comparable store sales growth as mentioned above and effective cost control measures.

With the slower than expected growth in the Mainland, the Health and Beauty China operations reported 1.4% comparable store sales growth in the period. However, total revenue growth remained robust at 17% as all store openings continued to perform well. EBITDA and EBIT growth remained strong at 14% and 12% respectively.

In the second half of 2013 and beyond, the A S Watson Group will continue to selectively expand its store base in regions with high growth potential, including the Mainland and selected Asian and European countries.

## Cheung Kong Infrastructure

Cheung Kong Infrastructure Holdings Limited ("CKI"), our Hong Kong listed subsidiary, announced profit attributable to shareholders of HK$5,169 million, a growth of 10% over the same period last year.

CKI's investment in Wales & West Utilities Limited, which was acquired in the last quarter of 2012, together with earnings growth from Power Assets and UK Power Networks, provided positive profit contributions to the Group in the first half of 2013. CKI will continue to look for opportunities to expand its portfolio by acquiring businesses with strong recurrent returns whilst maintaining a strong balance sheet, steady cashflow and low gearing ratios.

In June 2013, a consortium led by CKI together with Power Assets Holdings Limited, Cheung Kong (Holdings) Limited and Li Ka Shing Foundation Limited with respective shareholdings of 35%, 20%, 35% and 10% has entered into an agreement to acquire AVR Afvalverwerking B.V. ("AVR") in the Netherlands. The enterprise value of the transaction is approximately HK$9.7 billion (€940 million). AVR is the largest "energy from waste" business in the Netherlands. It is the country's market leader, commanding a 23% market share of the waste processing industry. The completion of this transaction is conditional on regulatory approval.

## Husky Energy

Husky Energy, our associated company listed in Canada, announced profit attributable to shareholders of C$1,140 million, a growth of 12% over the same period last year. Average production in the first six months of 2013 was 315,600 barrels of oil equivalent per day ("BOEs per day") compared to 301,000 BOEs per day in the first six months of 2012.

Husky Energy is progressing on two very substantial capital projects, the Liwan deep-water natural gas development ("Liwan project") located in the South China Sea and the Sunrise Energy oil sands development ("Sunrise Project") in Canada. The Liwan project continues to advance as scheduled towards first gas in late 2013/ early 2014. Production from the Liwan 3-1 and Liuhua 34-2 fields of Block 29/26 of the Liwan project is planned to ramp up through 2014 towards approximately 300 million cubic feet per day (50,000 BOEs per day). The first phase of the Sunrise Project is advancing towards first production in 2014 and is expected to produce approximately 60,000 barrels per day (30,000 barrels per day net to Husky Energy's 50% share).

## Hutchison Telecommunications Hong Kong

Hutchison Telecommunications Hong Kong Holdings ("HTHKH"), our Hong Kong listed telecommunications subsidiary operating in Hong Kong and in Macau, announced profit attributable to shareholders of HK$572 million and earnings per share of 11.87 HK cents, an increase of 2% compared to same period last year.

As of 30 June 2013, active mobile customers were approximately 3.78 million in Hong Kong and Macau. Fixed line operations have also continued to grow with increasing data traffic across all networks in Hong Kong.

HTHKH will continue to maintain its competitive edge and ensuring a sustainable market leader position in the mobile businesses.

## Hutchison Asia Telecommunications

As of 30 June 2013, Hutchison Asia Telecommunications ("HAT") had a registered customer base of over 41.6 million, of which approximately 36.0 million were active [2]. Reported total revenue of HK$2,981 million was an increase of 83% compared to the same period last year, reflecting the increase in customer base as a result of the 3G network rollout in Indonesia. LBITDA of HK$59 million and LBIT of HK$697 million, increased 26% and 3% respectively compared to the same period last year, due to increased start-up losses and the delay in network ramp up which affected customer acquisitions in Indonesia.

The ramp up in Indonesia's network in both speed and coverage will accelerate in the third quarter and targeted to be fully completed by the end of this year. As a result, HAT expects to continue to grow its customer base and customer service revenues, and targets to achieve operational breakeven on a monthly basis by the end of the year.

## **3** Group Europe

The Group's registered 3G customer base in Europe increased 9% during the period and totals over 25.6 million customers as at 30 June 2013, of which approximately 21.0 million were active [2]. **3** Group Europe reported total revenue of HK$30,101 million, an 8% increase over last year, and net customer service margin improved 20% to HK$16,831 million. EBITDA and EBIT grew by 38% and 35% to HK$5,661 million and HK$1,854 million respectively. **3** Group Europe has achieved another important milestone and reported positive EBITDA less capex for the period. The significant improvement in its underlying operating results reflects the Group's strong market position in the smartphone and mobile data segments, the increased contribution from **3** Austria upon the completion of the acquisition of Orange Austria in January 2013, and a well-disciplined capital expenditure profile.

In June 2013, **3** Ireland entered into an agreement with Telefonica to acquire O2, Telefonica's mobile business in Ireland, for €780 million with an additional deferred payment of €70 million payable dependent upon achievement of agreed financial targets. The completion of this transaction is subject to regulatory approval. After the acquisition is completed, **3** Ireland will become the second largest mobile operator in the country.

Looking forward, **3** Group Europe operations will increase market share and continue to operate efficiently. In **3** Austria, where restructuring activities are currently underway to merge the acquired Orange Austria operations, these are closely monitored to ensure synergies from the acquisition are maximised. Further progress in the transition to a non-subsidised handset model in its customer base, together with gradual stabilisation of European mobile termination regimes, are expected to further increase the division's contributions to the Group's overall results going forward.

Note 2 : An active customer is one that generated revenue from an outgoing call, an incoming call or 3G service in the preceding three months.

## Finance & Investments and Others

Contribution from this division represents returns earned on the Group's holdings of cash and liquid investments as well as results of other small operating units. The increase in contribution in first six months of 2013 was mainly due to higher realised foreign exchange gains and higher overall interest income.

During the first six months of 2013, the Group raised HK$41,099 million from the debt and capital markets and repaid debts as they matured and repaid early certain long-term borrowings and notes of HK$44,935 million. As a result of refinancing at lower interest rates, the Group's weighted average cost of debt reduced from 3.5% for 30 June 2012 to 3.2% for the period. At 30 June 2013, the Group's consolidated cash and liquid investments totalled HK$114,260 million and consolidated debt amounted to HK$231,957 million, resulting in consolidated net debt of HK$117,697 million and net debt to net total capital ratio of 20.5%. The Group's consolidated cash and liquid investments as at 30 June were sufficient to repay all outstanding consolidated Group debt maturing through 2015 and approximately 53% of the maturities in 2016.

The Group will continue to closely monitor its liquidity and debt profile and expects its net debt to net total capital ratio to remain below 25%.

## Outlook

In the first half, economic uncertainty continued to affect several markets and geographies in which the Group operates. Despite these and other externalities, such as government policies and restrictions, our core businesses, which are spread over 52 countries continued to demonstrate resilience and achieved sustainable recurring profit growth. Whilst uncertainty will remain a challenge for the second half of 2013, major economies are showing signs of stabilisation and gradual recovery. The Group will continue to pursue a strategy of "Growth with Stability", with equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. Each of our major operating divisions will continue to invest and expand its core business operations under strict financial disciplines. I expect, barring material adverse developments in our major markets, the Group will continue to grow in the second half of 2013. I have confidence in the Group's prospects.

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

**Li Ka-shing**
*Chairman*

Hong Kong, 1 August 2013

# Operations Highlights

## Ports and Related Services [1]

| | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions | Change | Change in local currency |
|---|---|---|---|---|
| Total Revenue | **16,891** | 15,947 | +6% | +6% |
| EBITDA | **5,410** | 5,427 | – | -1% |
| EBIT | **3,449** | 3,647 | -5% | -6% |

Contributed 9%, 12% and 12% respectively to total revenue, EBITDA and EBIT of the Group.

Major contributors to the division's overall 2% or 0.8 million twenty-foot equivalent units ("TEU") throughput growth during the first six months of 2013 are as follows:

| | Change (millions TEU) | Change (%) |
|---|---|---|
| Mainland China and Hong Kong (River Trade Terminal) | +0.5 | +10% |
| Asia, Australia and Others | +0.6 | +5% |
| *partially offset by:* | | |
| HPH Trust | -0.3 | -3% |

EBITDA was flat against the same period last year with the major growth contributions from the Shanghai ports, ports in Jakarta, Freeport, Pakistan and Mexico totalling HK$276 million as well as additional contributions of HK$53 million from new berths in Barcelona and Klang which commenced operations in 2012, offset by lower performances from the ports in Ningbo, Huizhou, Xiamen and the UK Ports, which experienced adverse trading conditions, as well as, the Panama ports which suffered a reduction in profitability due to operation difficulties.

EBIT was 5% lower than the same period last year due to higher depreciation charges of HK$181 million, mainly arising from the commencement of one new berth and expanded facilities in five container terminals located in Europe and Asia, Australia and other regions.

Note 1: Total revenue, EBITDA and EBIT were adjusted to exclude non-controlling interests' share of results of HPH Trust for the six months ended 30 June 2013 and 2012.

## Property and Hotels

| | 30 June 2013 HK$ millions | 30 June 2012 HK$ millions | Change |
|---|---|---|---|
| Total Revenue | **11,186** | 9,211 | +21% |
| EBITDA | **5,918** | 4,966 | +19% |
| EBIT | **5,742** | 4,780 | +20% |

Contributed 6%, 13% and 19% respectively to total revenue, EBITDA and EBIT of the Group.

EBITDA from investment properties [2] totalled HK$1,847 million in the first half of 2013, a 15% increase mainly due to higher rental renewal rates.

EBITDA from hotel operations [2] decreased by 2% to HK$634 million as compared to the first six months of 2012, primarily due to lower occupancy and average room rates in the hotels in the Mainland.

EBITDA from development properties, gains on disposals and others grew by 27% to HK$3,437 million in the first half of 2013.

The Group's current attributable landbank (including direct interests and its proportionate share of interests held by joint ventures and associated companies) can be developed into 89 million square feet of mainly residential property, of which 97% is situated in the Mainland and 3% in the UK and Singapore. This landbank comprises 46 projects in 23 cities and is expected to be developed in phases over several years. The timing of development, sales and completion for these projects will continue to be affected by Government policies aimed at controlling residential property price inflation.

Note 2: EBITDA from commercial properties of the hotel operations in the first six months of 2012 has been reclassified and included under EBITDA from hotel operations.

## Retail

| | 30 June 2013 HK$ millions | 30 June 2012 HK$ millions | Change | Change in local currency |
|---|---|---|---|---|
| Total Revenue | **75,761** | 71,059 | +7% | +6% |
| – Asia | **37,179** | 34,637 | +7% | +6% |
| – Europe | **38,582** | 36,422 | +6% | +6% |
| EBITDA | **5,609** | 5,152 | +9% | +8% |
| – Asia | **3,555** | 3,286 | +8% | +7% |
| – Europe | **2,054** | 1,866 | +10% | +9% |
| EBIT | **4,319** | 3,952 | +9% | +8% |
| – Asia | **3,031** | 2,808 | +8% | +6% |
| – Europe | **1,288** | 1,144 | +13% | +11% |

Contributed 38%, 12% and 14% respectively to total revenue, EBITDA and EBIT of the Group.

## Retail (continued)

| **Revenue – in reported currency** | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions |
|---|---|---|
| Health & Beauty China | **8,653** | 7,379 |
| Health & Beauty Asia | **9,785** | 8,791 |
| Health & Beauty Europe | **31,261** | 29,067 |
| Luxury Europe | **7,285** | 7,315 |
| Retail Others (includes PARKnSHOP, Fortress, Watsons Wine & Nuance-Watson) | **18,777** | 18,507 |
| Total Retail | **75,761** | 71,059 |
| – Asia | **37,179** | 34,637 |
| – Europe | **38,582** | 36,422 |

| **Total Sales Growth (%) – in local currency** | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Health & Beauty China | **14.6%** | 19.6% |
| Health & Beauty Asia | **10.1%** | 9.6% |
| Health & Beauty Europe | **7.6%** | 9.2% |
| Luxury Europe | **-0.8%** | 0.7% |
| Retail Others (includes PARKnSHOP, Fortress, Watsons Wine & Nuance-Watson) | **1.2%** | 11.8% |
| Total Retail | **6.1%** | 9.8% |
| – Asia | **6.3%** | 12.7% |
| – Europe | **5.9%** | 7.4% |

| **Comparable Store Sales Growth (%) – in local currency** | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Health & Beauty China | **1.4%** | 2.6% |
| Health & Beauty Asia | **6.0%** | 6.6% |
| Health & Beauty Europe | **3.9%** | 4.4% |
| Luxury Europe | **-1.3%** | 0.1% |
| Retail Others (includes PARKnSHOP, Fortress, Watsons Wine & Nuance-Watson) | **1.2%** | 7.7% |
| Total Retail | **2.8%** | 4.8% |
| – Asia | **2.7%** | 6.5% |
| – Europe | **2.9%** | 3.5% |

## Cheung Kong Infrastructure [(3)], subsidiary listed on The Stock Exchange of Hong Kong Limited

| | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions | Change |
|---|---|---|---|
| Total Revenue | **20,133** | 18,994 | +6% |
| EBITDA | **11,469** | 10,081 | +14% |
| EBIT | **8,940** | 7,863 | +14% |

Contributed 10%, 26% and 30% respectively to total revenue, EBITDA and EBIT of the Group.

In April 2013, CKI completed the acquisition of 100% interest in Enviro Waste Services Limited, a diversified, vertically integrated waste management business that has national coverage across New Zealand, for a cash consideration of approximately NZ$490 million (approximately HK$3.2 billion).

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

## Husky Energy [4], associated company listed on Toronto Stock Exchange

| | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions | Change | Change in local currency |
|---|---|---|---|---|
| Total Revenue | **29,911** | 29,768 | – | +2% |
| EBITDA | **7,991** | 7,212 | +11% | +13% |
| EBIT | **4,152** | 3,725 | +11% | +14% |

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

Note 4: After the Group's asset valuation consolidation adjustments.

## Hutchison Telecommunications Hong Kong Holdings [5], subsidiary listed on The Stock Exchange of Hong Kong Limited

| | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions | Change |
|---|---|---|---|
| Total Revenue | **6,149** | 6,730 | -9% |
| EBITDA | **1,509** | 1,451 | +4% |
| EBIT | **834** | 801 | +4% |

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

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

## Hutchison Asia Telecommunications

| | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions | Change |
|---|---|---|---|
| Total Revenue | **2,981** | 1,628 | +83% |
| LBITDA | **(59)** | (47) | -26% |
| LBIT | **(697)** | (675) | -3% |

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

HAT will continue to grow its customer base and focus on expansion, particularly in Indonesia, where the 3G footprint is now extended to 124 cities covering 75% of the population. The network coverage is expected to cover 86% of the population and in 150 cities by the end of the year.

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

| | **30 June 2013 AUD millions** | 30 June 2012 AUD millions | Change |
|---|---|---|---|
| Announced Total Revenue | **872** | 1,035 | -16% |
| Announced EBITDA | **189** | 112 | +69% |
| Announced Loss Attributable to Shareholders | **(96)** | (131) | +27% |

Despite a continued decline in revenue, the strategic initiatives commenced in late 2012, which included the accelerated investment and upgrade of the network, have led to an improvement in VHA's performances, both operationally and financially. Although continuing losses are anticipated in the second half of the year, VHA's management will continue to focus on the turnaround of business to profitability.

## 3 Group Europe

| | **30 June 2013 HK$ millions** | 30 June 2012 HK$ millions | Change | Change in local currency |
|---|---|---|---|---|
| Total Revenue | **30,101** | 27,990 | +8% | +8% |
| - Net customer service revenue | **22,037** | 20,983 | +5% | +5% |
| - Handset revenue | **7,417** | 6,422 | +15% | +16% |
| - Other revenue | **647** | 585 | +11% | +9% |
| Net customer service margin [(6)] | **16,831** | 14,000 | +20% | +20% |
| EBITDA [(6)] | **5,661** | 4,099 | +38% | +38% |
| EBIT [(6)] | **1,854** | 1,371 | +35% | +35% |
| Capex [(7)] | **4,167** | 5,457 | +24% | +25% |
| EBITDA less Capex | **1,494** | (1,358) | +210% | +217% |

Contributed 15%, 13% and 6% respectively to total revenue, EBITDA and EBIT of the Group.

Note 6: Net customer service margin represents net customer service revenue deducting direct variable costs (including interconnection charges and roaming costs). EBITDA represents the operational results excluding one-time items and is stated after all customer acquisition costs and retention costs. There are no one-time item included in EBIT in 2013 while one-time item included in EBIT in 2012 represents a HK$447 million one-time net gain from a network sharing arrangement in Ireland.

Note 7: In addition to the capital expenditure shown above, the Group has recognised spectrum licences totalling HK$2,674 million in first half of 2013 (first half of 2012 - HK$1,443 million).

## 3 Group Europe Overall

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Contract customers as a percentage of the total registered customer base | **59%** | 54% |
| Contract customers' contribution to the net customer service revenue base (%) | **87%** | 86% |
| Average monthly churn rate of the total contract registered customer base (%) | **1.7%** | 1.7% |
| Active contract customers as a percentage of the total contract registered customer base | **97%** | 97% |
| Active customers as a percentage of the total registered customer base | **82%** | 77% |
| Net customer service margin % | **76%** | 67% |
| Weighted average per customer acquisition cost [8], on a 12-month trailing basis | **€37** | €50 |

Note 8: This is stated after revenue contributions for a handset/device in postpaid contract bundled plans. The Group does not provide any subsidy on handsets/devices to non-contract prepaid customers.

## Key Business Indicators

**Registered Customer Base**

| | Registered Customers at 30 June 2013 ('000) | | | Registered Customer Growth (%) from 31 December 2012 to 30 June 2013 | | |
|---|---|---|---|---|---|---|
| | Prepaid | Postpaid | Total | Prepaid | Postpaid | Total |
| UK | 3,698 | 5,535 | **9,233** | -2% | 5% | **2%** |
| Italy | 4,977 | 4,604 | **9,581** | -4% | 6% | **1%** |
| Sweden | 166 | 1,472 | **1,638** | -1% | 6% | **5%** |
| Denmark | 258 | 679 | **937** | 19% | 7% | **10%** |
| Austria [9] | 875 | 2,462 | **3,337** | 58% | 113% | **95%** |
| Ireland | 521 | 380 | **901** | 16% | 2% | **10%** |
| 3 Group Europe Total | 10,495 | 15,132 | **25,627** | 1% | 15% | **9%** |

**Active [10] Customer Base**

| | Active Customers at 30 June 2013 ('000) | | | Active Customer Growth (%) from 31 December 2012 to 30 June 2013 | | |
|---|---|---|---|---|---|---|
| | Prepaid | Postpaid | Total | Prepaid | Postpaid | Total |
| UK | 2,152 | 5,377 | **7,529** | -5% | 5% | **2%** |
| Italy | 3,355 | 4,336 | **7,691** | 16% | 5% | **9%** |
| Sweden | 85 | 1,472 | **1,557** | -6% | 6% | **6%** |
| Denmark | 242 | 679 | **921** | 17% | 7% | **9%** |
| Austria [11] | 410 | 2,440 | **2,850** | 122% | 112% | **114%** |
| Ireland | 201 | 307 | **508** | 18% | – | **7%** |
| 3 Group Europe Total | 6,445 | 14,611 | **21,056** | 11% | 15% | **14%** |

Note 9: Includes 1.5 million registered customers added from the acquisition of Orange Austria in January 2013.

Note 10: An active customer is one that generated revenue from an outgoing call, incoming call or 3G service in the preceding three months.

Note 11: Includes 1.45 million active customers added from the acquisition of Orange Austria in January 2013.

## Key Business Indicators (continued)

**12-month Trailing Gross Average Revenue per Active User ("Gross ARPU")[12] to 30 June 2013**

| | Total | | | | Non-voice | |
|---|---|---|---|---|---|---|
| | Prepaid | Postpaid | **Blended Total** | % Variance compared to 31 December 2012 | **ARPU** | % of total ARPU |
| UK | £6.42 | £26.96 | **£20.76** | -2% | **£9.86** | 47% |
| Italy | €6.80 | €23.68 | **€16.52** | -10% | **€8.31** | 50% |
| Sweden | SEK102.26 | SEK304.83 | **SEK291.89** | -2% | **SEK121.05** | 41% |
| Denmark | DKK127.07 | DKK204.31 | **DKK185.55** | -14% | **DKK105.37** | 57% |
| Austria | €7.78 | €23.62 | **€21.47** | -5% | **€6.78** | 32% |
| Ireland | €16.27 | €39.16 | **€30.92** | -4% | **€18.21** | 59% |
| **3** Group Europe Average | €7.92 | €28.89 | **€22.40** | -6% | **€10.48** | 47% |

**12-month Trailing Net Average Revenue per Active User ("Net ARPU")[13] to 30 June 2013**

| | Prepaid | Postpaid | **Blended Total** | % Variance compared to 31 December 2012 |
|---|---|---|---|---|
| UK | £6.42 | £19.44 | **£15.52** | -5% |
| Italy | €6.80 | €23.68 | **€16.52** | -10% |
| Sweden | SEK102.26 | SEK220.91 | **SEK213.33** | -9% |
| Denmark | DKK127.07 | DKK183.06 | **DKK169.46** | -11% |
| Austria | €7.78 | €19.19 | **€17.64** | 4% |
| Ireland | €16.27 | €31.05 | **€25.73** | -5% |
| **3** Group Europe Average | €7.92 | €23.47 | **€18.66** | -8% |

**12-month Trailing Net Average Margin per Active User ("Net AMPU")[14] to 30 June 2013**

| | Prepaid | Postpaid | **Blended Total** | % Variance compared to 31 December 2012 |
|---|---|---|---|---|
| UK | £5.50 | £14.72 | **£11.94** | – |
| Italy | €5.28 | €16.53 | **€11.76** | -1% |
| Sweden | SEK73.24 | SEK176.53 | **SEK169.93** | -9% |
| Denmark | DKK96.02 | DKK152.15 | **DKK138.51** | -5% |
| Austria | €6.12 | €13.82 | **€12.78** | 15% |
| Ireland | €10.47 | €23.20 | **€18.62** | 4% |
| **3** Group Europe Average | €6.30 | €17.43 | **€13.99** | -2% |

Note 12: Gross ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in postpaid contract bundled plans, divided by the average number of active customers during the period.

Note 13: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in postpaid contract bundled plans, divided by the average number of active customers during the period.

Note 14: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in postpaid contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the period.

## Key Business Indicators (continued)

Gross ARPU, on a 12-month trailing average active customer basis was €22.40. Net ARPU was €18.66, an 8% reduction compared to the full year 2012 Net ARPU of €20.27, mainly reflecting the impact of the reduced regulated mobile termination rates and price competition. Net AMPU, on a 12-month trailing average active customer basis, decreased by 2% to €13.99 compared to the full year 2012 Net AMPU of €14.22, due to the reduction in revenue, partly offset by a larger proportion of higher margin customers. Net customer service margin improved by 20% to HK$16,831 million mainly due to the increase in active customer base.

## UK

| | **30 June 2013 GBP millions** | 30 June 2012 GBP millions | Change |
|---|---|---|---|
| Total Revenue | **1,002** | 918 | +9% |
| - Net customer service revenue | **667** | 664 | +0.5% |
| - Handset revenue | **321** | 247 | +30% |
| - Other revenue | **14** | 7 | +100% |
| Net customer service margin | **519** | 457 | +14% |
| EBITDA | **188** | 109 | +72% |
| EBIT | **86** | 26 | +231% |
| Capex [15] | **87** | 95 | +8% |
| EBITDA less Capex | **101** | 14 | +621% |

Note 15: In addition to the capital expenditure shown above, **3** UK has acquired spectrum licences totalling £225 million in March 2013.

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Total registered customer base (millions) | **9.2** | 8.4 |
| Contract customers as a % of the total registered customer base | **60%** | 57% |
| Contract customers' contribution to the net customer service revenue base (%) | **88%** | 86% |
| Average monthly churn rate of the total contract registered customer base (%) | **1.6%** | 1.4% |
| Active contract customers as a % of the total contract registered customer base | **97%** | 97% |
| Active customers as a % of the total registered customer base | **82%** | 81% |
| Net customer service margin % | **78%** | 69% |

**3** UK's strong underlying performance during the period reflects the growth in customer base and tight cost controls, as well as a favourable change in mobile termination rates from the reduced symmetrical incoming and outgoing call rates which commenced in April 2013.

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

## Italy

| | **30 June 2013 EURO millions** | 30 June 2012 EURO millions | Change |
|---|---|---|---|
| Total Revenue | **891** | 920 | -3% |
| - Net customer service revenue | **684** | 743 | -8% |
| - Handset revenue | **185** | 164 | +13% |
| - Other revenue | **22** | 13 | +69% |
| Net customer service margin | **496** | 441 | +12% |
| EBITDA | **134** | 136 | -1% |
| (LBIT) EBIT | **(5)** | 2 | -350% |
| Capex [(16)] | **187** | 331 | +44% |
| EBITDA less Capex | **(53)** | (195) | +73% |

Note 16: In addition to the capital expenditure shown above, **3** Italy has acquired spectrum licences totalling €147 million in first half of 2012.

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Total registered customer base (millions) | **9.5** | 9.3 |
| Contract customers as a % of the total registered customer base | **48%** | 41% |
| Contract customers' contribution to the net customer service revenue base (%) | **82%** | 82% |
| Average monthly churn rate of the total contract registered customer base (%) | **2.4%** | 2.4% |
| Active contract customers as a % of the total contract registered customer base | **94%** | 95% |
| Active customers as a % of the total registered customer base | **80%** | 71% |
| Net customer service margin % | **73%** | 59% |

**3** Italy was able to maintain comparable EBIT results against the same period last year and reported slightly lower than breakeven in the first half of 2013.

Looking forward to the second half of the year, **3** Italy is expected to be adversely affected by the change in mobile termination rates from asymmetrical incoming and outgoing rates to symmetrical rates commencing in July 2013. However, through cost controls and continued growth in its customer base, the operation is still expected to perform well in the second half of 2013.

## Sweden

| | **30 June 2013 SEK millions** | 30 June 2012 SEK millions | Change |
|---|---|---|---|
| Total Revenue | **2,699** | 3,125 | -14% |
| - Net customer service revenue | **1,833** | 1,991 | -8% |
| - Handset revenue | **760** | 921 | -17% |
| - Other revenue | **106** | 213 | -50% |
| Net customer service margin | **1,455** | 1,569 | -7% |
| EBITDA | **617** | 863 | -29% |
| EBIT | **271** | 588 | -54% |
| Capex | **461** | 507 | +9% |
| EBITDA less Capex | **156** | 356 | -56% |

## Sweden (continued)

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Total registered customer base (millions) | **1.6** | 1.5 |
| Contract customers as a % of the total registered customer base | **90%** | 89% |
| Contract customers' contribution to the net customer service revenue base (%) | **97%** | 97% |
| Average monthly churn rate of the total contract registered customer base (%) | **1.2%** | 1.4% |
| Active contract customers as a % of the total contract registered customer base | **100%** | 100% |
| Active customers as a % of the total registered customer base | **95%** | 96% |
| Net customer service margin % | **79%** | 79% |

**3** Sweden reported a decline in revenue mainly due to the transition to a non-subsidised handset model in its customer base. With the completion of the transition expected in the second half of 2013, **3** Sweden is expected to resume an earnings growth.

## Denmark

| | **30 June 2013 DKK millions** | 30 June 2012 DKK millions | Change |
|---|---|---|---|
| Total Revenue | **930** | 1,043 | -11% |
| - Net customer service revenue | **827** | 930 | -11% |
| - Handset revenue | **62** | 98 | -37% |
| - Other revenue | **41** | 15 | +173% |
| Net customer service margin | **708** | 713 | -1% |
| EBITDA | **316** | 289 | +9% |
| EBIT | **178** | 159 | +12% |
| Capex | **91** | 154 | +41% |
| EBITDA less Capex | **225** | 135 | +67% |

| | **30 June 2013** | 30 June 2012 |
|---|---|---|
| Total registered customer base | **937,000** | 829,000 |
| Contract customers as a % of the total registered customer base | **72%** | 77% |
| Contract customers' contribution to the net customer service revenue base (%) | **81%** | 85% |
| Average monthly churn rate of the total contract registered customer base (%) | **2.5%** | 3.2% |
| Active contract customers as a % of the total contract registered customer base | **100%** | 100% |
| Active customers as a % of the total registered customer base | **98%** | 98% |
| Net customer service margin % | **86%** | 76% |

Despite **3** Denmark reporting a decline in revenue due to intense competition and the reduction in mobile termination rates, stringent cost control measures and margin improvements are expected to result in continued growth momentum.

## Austria

| | 30 June 2013 EURO millions | 30 June 2012 EURO millions | Change |
|---|---|---|---|
| Total Revenue | **369** | 166 | +122% |
| - Net customer service revenue | **306** | 117 | +162% |
| - Handset revenue | **57** | 41 | +39% |
| - Other revenue | **6** | 8 | -25% |
| Net customer service margin | **230** | 78 | +195% |
| EBITDA | **90** | 19 | +374% |
| EBIT | **52** | 2 | +2,500% |
| Capex | **35** | 11 | -218% |
| EBITDA less Capex | **55** | 8 | +588% |

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Total registered customer base (millions) | **3.3** | 1.5 |
| Contract customers as a % of the total registered customer base | **74%** | 71% |
| Contract customers' contribution to the net customer service revenue base (%) | **94%** | 93% |
| Average monthly churn rate of the total contract registered customer base (%) | **0.8%** | 0.2% |
| Active contract customers as a % of the total contract registered customer base | **99%** | 99% |
| Active customers as a % of the total registered customer base | **85%** | 78% |
| Net customer service margin % | **76%** | 67% |

The completion of the acquisition of Orange Austria in January 2013 generated incremental revenues as well as operational synergies and efficiencies to the Group in the first half of the year.

**3** Austria is expected to continue its growth momentum and realise the operational efficiencies from the transaction in the second half of the year.

## Ireland

| | 30 June 2013 EURO millions | 30 June 2012 EURO millions | Change |
|---|---|---|---|
| Total Revenue | **87** | 83 | +5% |
| - Net customer service revenue | **72** | 67 | +7% |
| - Handset revenue | **14** | 15 | -7% |
| - Other revenue | **1** | 1 | – |
| Net customer service margin | **56** | 43 | +30% |
| EBITDA (LBITDA) | **–** | (15) | +100% |
| (LBIT) EBIT [17] | **(18)** | 17 | -206% |
| Capex | **21** | 16 | -31% |
| EBITDA less Capex | **(21)** | (31) | +32% |

Note 17: EBIT in the first half of 2012 includes a one-time net gain of €45 million from a network sharing arrangement. No one-time item is reported for the first half of 2013.

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Total registered customer base | **901,000** | 715,000 |
| Contract customers as a % of the total registered customer base | **42%** | 49% |
| Contract customers' contribution to the net customer service revenue base (%) | **76%** | 81% |
| Average monthly churn rate of the total contract registered customer base (%) | **1.2%** | 1.3% |
| Active contract customers as a % of the total contract registered customer base | **81%** | 83% |
| Active customers as a % of the total registered customer base | **56%** | 60% |
| Net customer service margin % | **78%** | 64% |

# Group Capital Resources and Other Information

## Group Capital Resources and Liquidity

### Treasury Management

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

### Cash Management and Funding

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

### Interest Rate Exposure

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

At 30 June 2013, approximately 28% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 72% were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$63,923 million principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$8,099 million principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 52% of the Group's total principal amount of bank and other debts were at floating rates and the remaining 48% were at fixed rates at 30 June 2013. All of the aforementioned interest rate derivatives are designated as hedges and these hedges are expected to be highly effective.

### Foreign Currency Exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar or non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currency hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the period, the currencies of certain countries where the Group has overseas operations, including Euro, British Pound, the Canadian and Australian dollars as well as Renminbi in the Mainland, fluctuated against the Hong Kong dollar. This gave rise to an unrealised loss of approximately HK$12,451 million (30 June 2012 - HK$3,693 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, including the Group's share of the translation gains and losses of associated companies and joint ventures. This unrealised loss is reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 30 June 2013, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million to Hong Kong dollar principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 36% in Euro, 30% in US dollars, 21% in HK dollars, 6% in British Pounds and 7% in other currencies.

### Credit Exposure

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

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

### Credit Profile

The Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings of A3 on the Moody's Investor Service scale, A- on the Standard & Poor's Rating Services scale and A- on the Fitch Ratings scale. Actual credit ratings may depart from these levels from time to time due to economic circumstances. At 30 June 2013, our long-term credit ratings were A3 from Moody's, A- from Standard & Poor's and A- from Fitch, with all three agencies maintaining stable outlooks on their ratings.

### Market Price Risk

The Group's main market price risk exposures relate to listed/traded debt and equity securities described in "Liquid Assets" below and the interest rate swaps as described in "Interest Rate Exposure" above. The Group's holding of listed/traded debt and equity securities represented approximately 15% (31 December 2012 – approximately 18%) of the cash, liquid funds and other listed investments ("liquid assets"). The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

## Liquid Assets

The Group continues to maintain a solid and healthy financial position. Liquid assets amounted to HK$114,260 million at 30 June 2013, a decrease of 13% from the balance of HK$131,447 million at 31 December 2012, mainly reflecting the utilisation of cash for the repayment and early repayment of certain borrowings, repurchased US$185 million (approximately HK$1,446 million) nominal amount of perpetual capital securities issued in 2010, dividend payments to ordinary and non-controlling shareholders as well as distributions to perpetual capital securities holders, acquisition of new investments, including the acquisition of Orange Austria, of HK$17,499 million, and acquisition of fixed assets and telecommunications licences of HK$11,067 million, net of the cash arising from positive funds from operations from the Group's businesses, cash from new borrowings and proceeds from the issue of €1,750 million perpetual capital securities during the period. Liquid assets were denominated as to 10% in HK dollars, 31% in US dollars, 16% in Renminbi, 24% in Euro, 5% in British Pounds and 14% in other currencies.

Cash and cash equivalents represented 85% (31 December 2012 – 82%) of the liquid assets, US Treasury notes and listed/traded debt securities 7% (31 December 2012 – 11%) and listed equity securities 8% (31 December 2012 – 7%).

The US Treasury notes and listed/traded debt securities, including those held under managed funds, consisted of US Treasury notes of 14%, government and government guaranteed notes of 23%, supranational notes of 20%, notes issued by the Group's associated company, Husky Energy Inc of 11%, notes issued by financial institutions of 3%, and others of 29%. Of these US Treasury notes and listed/traded debt securities, 54% are rated at Aaa/AAA or Aa1/AA+ with an average maturity of 2.6 years on the overall portfolio. The Group has no exposure in mortgage-backed securities, collateralised debt obligations or similar asset classes.

## Cash Flow

Consolidated EBITDA [1] amounted to HK$45,798 million, an increase of 13% compared to HK$40,628 million, as restated, for the same period last year. Consolidated funds from operations ("FFO") before cash profits from disposals, capital expenditures, investments and changes in working capital amounts to HK$23,088 million, a 54% increase compared to same period last year mainly due to higher FFO contributions by the Group's businesses and the increase in dividends and distributions received from associated companies and joint ventures.

The Group's capital expenditures decreased 7% to total HK$11,067 million during 2013 (30 June 2012 – HK$11,961 million), primarily due to lower capital expenditures for the acquisition of fixed assets, particularly in **3** Group Europe, partially offset by higher capital expenditures for the acquisition of telecommunications licences in Europe. Capital expenditures on fixed assets for the ports and related services division amounted to HK$1,799 million (30 June 2012 – HK$1,943 million); for the property and hotels division HK$247 million (30 June 2012 – HK$66 million); for the retail division HK$804 million (30 June 2012 – HK$745 million); for CKI HK$173 million (30 June 2012 – HK$385 million); for HTHKH HK$562 million (30 June 2012 – HK$567 million); for HAT HK$608 million (30 June 2012 – HK$1,138 million); for **3** Group Europe HK$4,154 million (30 June 2012 – HK$5,446 million); and for the finance and investments and others HK$14 million (30 June 2012 – HK$13 million). Capital expenditures for telecommunications licences, brand names and other rights for the ports and related services division amounted to HK$1 million (30 June 2012 – nil), for HTHKH HK$18 million (30 June 2012 – HK$154 million); for HAT nil (30 June 2012 – HK$50 million) and for **3** Group Europe HK$2,687 million (30 June 2012 – HK$1,454 million).

Purchases of and advances to (net of deposits from) associated companies and joint ventures, net of repayments from associated companies and joint ventures, resulted in a net cash inflow of HK$3,988 million (30 June 2012 – net cash outflow of HK$2,538 million) mainly due to the repayment of advances, together with deposits placed by associates and joint ventures in the first six months of 2013.

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

## Debt Maturity and Currency Profile

The Group's total principal amount of bank and other debts at 30 June 2013 decreased 9% to total HK$231,957 million (31 December 2012 – HK$256,152 million), of which 71% (31 December 2012 – 74%) are notes and bonds and 29% (31 December 2012 – 26%) are bank and other loans. The net decrease in principal amount of bank and other debts was primarily due to the repayment of debts as they matured as well as the early repayment of certain debts totalling HK$44,935 million and the favourable impact of HK$2,979 million upon translation of foreign currency-denominated loans to Hong Kong dollars, partially offset by new borrowings of HK$23,373 million. The Group's weighted average cost of debt at 30 June 2013 decreased by 0.2%-points to 3.2% (31 December 2012 – 3.4%). Interest bearing loans from non-controlling shareholders, which are viewed as quasi-equity, totalled HK$5,572 million at 30 June 2013 (31 December 2012 – HK$6,307 million).

Note 1: EBITDA includes the non-controlling interests' share of HPH Trust's EBITDA.

## Debt Maturity and Currency Profile (continued)

The maturity profile of the Group's total principal amount of bank and other debts at 30 June 2013 is set out below:

| | HK$ | US$ | Euro | GBP | Others | Total |
|---|---|---|---|---|---|---|
| In remainder of 2013 | – | – | 5% | – | – | 5% |
| In 2014 | 1% | 5% | 1% | 1% | – | 8% |
| In 2015 | 14% | – | 10% | 2% | 4% | 30% |
| In 2016 | – | 1% | 12% | – | – | 13% |
| In 2017 | – | 9% | 5% | 2% | 1% | 17% |
| In 2018 to 2022 | 6% | 10% | 3% | – | 1% | 20% |
| In 2023 to 2032 | – | 1% | – | 1% | 1% | 3% |
| Beyond 2032 | – | 4% | – | – | – | 4% |
| **Total** | **21%** | **30%** | **36%** | **6%** | **7%** | **100%** |

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

## Changes in Financing

The significant financing activities in the first half of 2013 were as follows:

- In January, obtained a short term floating rate loan facility of €1,450 million (approximately HK$15,037 million) and was subsequently repaid on maturity in May 2013;
- In February, repaid on maturity US$3,110 million principal amount of fixed rate notes (approximately HK$24,257 million);
- In February, obtained a short term floating rate revolving loan facility of GBP550 million (approximately HK$6,523 million) which has already expired;
- In March, obtained a five-year floating rate loan facility of HK$1,400 million;
- In April, listed subsidiary CKI obtained a five-year loan facility of NZ$260 million (approximately HK$1,685 million), of which the project debt of NZ$150 million (approximately HK$972 million) was drawn in relation to the acquisition of Enviro Waste Services Limited;
- In April, prepaid a floating rate loan facility of HK$1,400 million that matured in May 2013;
- In April, prepaid a floating rate loan facility of HK$500 million maturing in October 2013; and
- In May, obtained a five-year floating rate loan facility of HK$2,000 million and repaid on maturity a floating rate loan facility of HK$1,500 million.

Subsequent to the period ended 30 June:

- In July, repaid €1,000 million principal amount of fixed rate notes (approximately HK$10,160 million) on maturity; and
- In July, prepaid a floating rate loan facility of €300 million (approximately HK$3,048 million) maturing in June 2015.

## Capital, Net Debt and Interest Coverage Ratios

The Group's total ordinary shareholders' funds and perpetual capital securities increased 3% to HK$401,659 million at 30 June 2013, compared to HK$391,519 million, as restated, at 31 December 2012, reflecting the profits for the first half of 2013 as well as the issuance of €1,750 million perpetual capital securities in May 2013, partly offset by net exchange losses on translation of the Group's overseas operations' net assets to the Group's Hong Kong dollar reporting currency including the Group's share of the translation gains and losses of associated companies and joint ventures, dividends and distributions paid and other items recognised directly in reserves. At 30 June 2013, the consolidated net debt of the Group, excluding interest bearing loans from non-controlling shareholders which are viewed as quasi-equity, unamortised loan facilities fees and premiums or discounts on issue and fair value changes of interest rate swap contracts, was HK$117,697 million (31 December 2012 – HK$124,705 million), a reduction of 6% compared to the net debt at the beginning of the year. The Group's net debt to net total capital ratio at 30 June 2013 reduced to 20.5% (31 December 2012 – 21.9%).

The following table shows the net debt to net total capital ratio calculated on the basis of including interest bearing loans from non-controlling shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at 30 June 2013. The net debt to net total capital ratio can be significantly affected by foreign currency translation effects on total ordinary shareholders' funds and perpetual capital securities and on debt balances. The ratios as at 30 June 2013 before and after the effect of foreign currency transaction and other non-cash movements for the period are shown below:

| **Net debt/Net total capital ratios at 30 June 2013:** | | **Before the effect of foreign currency translation and other non-cash movements** | **After the effect of foreign currency translation and other non-cash movements** |
|---|---|---|---|
| A1: | excluding interest bearing loans from non-controlling shareholders from debt | 20.2% | 20.5% |
| A2: | as in A1 above and investments in listed subsidiaries and associated companies marked to market value | 18.5% | 18.7% |
| B1: | including interest bearing loans from non-controlling shareholders as debt | 21.2% | 21.5% |
| B2: | as in B1 above and investments in listed subsidiaries and associated companies marked to market value | 19.4% | 19.6% |

The Group's consolidated gross interest expense and other finance costs of subsidiaries, before capitalisation, decreased 2% to total HK$4,407 million as compared to HK$4,496 million in the same period last year, mainly due to the weighted average cost of debt for the Group reducing from 3.5% for 30 June 2012 to 3.2% for the period partially offset by the higher average borrowings during the period.

Consolidated EBITDA and FFO for the period covered consolidated net interest expense and other finance costs 15.5 times and 8.9 times respectively (31 December 2012, as restated – 14.7 times and 7.1 times).

## Secured Financing

At 30 June 2013, assets of the Group totalling HK$2,082 million (31 December 2012 – HK$824 million) were pledged as security for bank and other debts.

## Borrowing Facilities Available

Committed borrowing facilities available to Group companies but not drawn at 30 June 2013 amounted to the equivalent of HK$5,231 million (31 December 2012 – HK$5,807 million).

## Contingent Liabilities

At 30 June 2013, the Group provided guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures totalling HK$24,231 million (31 December 2012 – HK$11,920 million), of which HK$22,891 million (31 December 2012 – HK$10,485 million) has been drawn down as at 30 June 2013, and also provided performance and other guarantees of HK$4,528 million (31 December 2012 – HK$4,411 million).

## Employee Relations

At 30 June 2013, the Company and its subsidiaries employed 160,765 people (30 June 2012 – 166,661 people) and the related employee costs for the six-month period, excluding Directors' emoluments, totalled HK$17,779 million (2012 – HK$16,598 million). Including the Group's associated companies, at 30 June 2013, the Group employed 261,074 people of whom 31,977 were employed in Hong Kong. All of the Group's subsidiaries are equal opportunity employers, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

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

## Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's ordinary shares. In addition, the Company has not redeemed any of its ordinary shares during the period.

## Review of Accounts

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2013 have been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report is set out on page 42. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2013 have also been reviewed by the Audit Committee of the Company.

## Record date for Interim Dividend

The record date for the purpose of determining shareholders' entitlement to the interim dividend is Monday, 2 September 2013.

In order to qualify for the interim dividend payable on Wednesday, 11 September 2013, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar (Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration no later than 4:30 pm on Monday, 2 September 2013.

## Corporate Strategy

The primary objective of the Company is to enhance long-term total return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Chairman's Statement and the Operations Highlights contain discussions and analyses of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

## Past Performance and Forward-Looking Statements

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

# Disclosure of Interests

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

As at 30 June 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and SEHK pursuant to the Company's own Model Code for Securities Transactions by Directors (the "Securities Code") were as follows:

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

### Long positions in the shares of the Company

| Name of Director | Capacity | Nature of interests | Number of shares held | Total | Approximate % of shareholding |
|---|---|---|---|---|---|
| Li Ka-shing | Founder of discretionary trusts | Other interest | 2,141,698,773 [(1)] ) | | |
| | Interest of controlled corporations | Corporate interest | 94,534,000 [(2)] ) | 2,236,232,773 | 52.4522% |
| Li Tzar Kuoi, Victor | Beneficiary of trusts | Other interest | 2,141,698,773 [(1)] ) | | |
| | Interest of controlled corporations | Corporate interest | 1,086,770 [(3)] ) | | |
| | Interest of child | Family interest | 300,000 [(4)] ) | 2,143,085,543 | 50.2674% |
| Fok Kin Ning, Canning | Interest of a controlled corporation | Corporate interest | 6,010,875 [(5)] | 6,010,875 | 0.1410% |
| Chow Woo Mo Fong, Susan | Beneficial owner | Personal interest | 190,000 | 190,000 | 0.0045% |
| Frank John Sixt | Beneficial owner | Personal interest | 200,000 | 200,000 | 0.0047% |
| Lai Kai Ming, Dominic | Beneficial owner | Personal interest | 50,000 | 50,000 | 0.0012% |
| Kam Hing Lam | Beneficial owner | Personal interest | 60,000 ) | | |
| | Interest of child | Family Interest | 40,000 ) | 100,000 | 0.0023% |

| Name of Director | Capacity | Nature of interests | Number of shares held | Total | Approximate % of shareholding |
|---|---|---|---|---|---|
| Michael David Kadoorie | Founder, a beneficiary and/or a discretionary object of discretionary trust(s) | Other interest | 15,984,095 [(6)] | 15,984,095 | 0.3749% |
| Holger Kluge | Beneficial owner | Personal interest | 40,000 | 40,000 | 0.0009% |
| Lee Wai Mun, Rose | Beneficiary of a trust | Other interest | 150,000 | 150,000 | 0.0035% |
| Lee Yeh Kwong, Charles | Beneficial owner | Personal interest | 1,070,358 | | |
| | Interest of spouse | Family interest | 65,000 | | |
| | Interest of a controlled corporation | Corporate interest | 10,000 [(7)] | 1,145,358 | 0.0269% |
| George Colin Magnus | Founder and beneficiary of a discretionary trust | Other interest | 950,100 [(8)] | | |
| | Beneficial owner | Personal interest | 40,000 | | |
| | Interest of spouse | Family interest | 9,900 | 1,000,000 | 0.0235% |
| William Shurniak | Beneficial owner | Personal interest | 165,000 | 165,000 | 0.0039% |

Notes:

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

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

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

As Mr Li Ka-shing may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT1 and DT2, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the shares of Cheung Kong held by TUT1 as trustee of UT1 and TUT1 related companies and the said shares of the Company held by the subsidiaries of Cheung Kong under the SFO as directors of Cheung Kong.

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

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

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

As Mr Li Ka-shing may be regarded as a founder of each of DT3 and DT4 for the purpose of the SFO and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of each of DT3 and DT4, and by virtue of the above, both Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor are taken to have a duty of disclosure in relation to the said shares of the Company held by TUT3 as trustee of UT3 under the SFO as Directors of the Company.

(2) Such shares were held by certain companies of which Mr Li Ka-shing is interested in the entire issued share capital.

(3) Such shares were held by certain companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

(4) Such shares were held by a company in which a child of Mr Li Tzar Kuoi, Victor is entitled to exercise or control the exercise of one-third or more of voting power at its general meetings.

(5) Such shares were held by a company which is equally controlled by Mr Fok Kin Ning, Canning and his spouse.

(6) Such shares were ultimately held by discretionary trust(s) of which The Hon Sir Michael David Kadoorie is either the founder, a beneficiary and/or a discretionary object.

(7) Such shares were held by a company of which Mr Lee Yeh Kwong, Charles is interested in the entire issued share capital.

(8) Such shares were indirectly held by a discretionary trust of which Mr George Colin Magnus is the settlor and a discretionary beneficiary.

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

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

As at 30 June 2013, Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in the following by virtue of, inter alia, their interests in the shares of Cheung Kong or the Company as described in Note (1) above:

(i) 1,912,109,945 ordinary shares, representing approximately 76.61% of the then issued share capital, in Cheung Kong Infrastructure Holdings Limited ("CKI") of which 1,906,681,945 ordinary shares were held by a wholly owned subsidiary of the Company and 5,428,000 ordinary shares were held by TUT1 as trustee of UT1;

(ii) 3,185,136,120 ordinary shares, representing approximately 66.10% of the then issued share capital, in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") of which 52,092,587 ordinary shares and 3,132,890,253 ordinary shares were held by certain wholly owned subsidiaries of each of Cheung Kong and the Company respectively and 153,280 ordinary shares were held by TUT3 as trustee of UT3;

(iii) 829,599,612 ordinary shares, representing approximately 38.87% of the then issued share capital, in Power Assets Holdings Limited ("Power Assets") which shares were held by certain wholly owned subsidiaries of CKI;

(iv) 2,423,888,908 ordinary shares, representing approximately 62.26% of the then issued share capital, in TOM Group Limited of which

(a) 476,341,182 ordinary shares and 952,683,363 ordinary shares were held by a wholly owned subsidiary of each of Cheung Kong and the Company respectively; and

(b) 994,864,363 ordinary shares charged by Cranwood Company Limited and its subsidiaries in favour of the Company as security;

(v) 334,141,932 common shares, representing approximately 33.99% of the then issued share capital, in Husky Energy Inc. ("Husky Energy") held by a wholly owned subsidiary of the Company; and

(vi) all interests in shares, underlying shares and/or debentures in all associated corporations of the Company.

As Mr Li Ka-shing is the settlor of a discretionary trust and Mr Li Tzar Kuoi, Victor is a discretionary beneficiary of that discretionary trust, for the purpose of the SFO Mr Li Ka-shing and Mr Li Tzar Kuoi, Victor, as Directors of the Company, were deemed to be interested in 349,869,015 common shares, representing approximately 35.59% of the then issued share capital, in Husky Energy which were held by a company indirectly owned by Mr Li Ka-shing and the trustee of a discretionary trust as aforementioned.

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

In addition, Mr Li Ka-shing had, as at 30 June 2013, corporate interests in (i) a nominal amount of US$9,100,000 in the 6.625% Guaranteed Perpetual Capital Securities issued by PHBS Limited; and (ii) 403,979,499 ordinary shares, representing approximately 8.38% of the then issued share capital, in HTHKH, which were held by companies of which Mr Li Ka-shing is interested in the entire issued share capital.

Mr Li Tzar Kuoi, Victor had, as at 30 June 2013, the following interests:

(i) family interests in (a) 151,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in Power Assets held by his spouse; and (b) 192,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in HTHKH held by a company in which his child is entitled to exercise or control the exercise of one-third or more of voting power at its general meetings; and

(ii) corporate interests in (a) a nominal amount of US$45,792,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited; (b) 2,519,250 ordinary shares, representing approximately 0.05% of the then issued share capital, in HTHKH; (c) a nominal amount of US$35,395,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited ("HWI(10)"); and (d) a nominal amount of US$16,800,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (12) Limited, which were held by companies of which Mr Li Tzar Kuoi, Victor is interested in the entire issued share capital.

Mr Fok Kin Ning, Canning had, as at 30 June 2013, the following interests:

(i) corporate interests in (a) a nominal amount of US$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; (b) a nominal amount of US$2,000,000 in the 7.25% Notes due 2019 issued by Husky Energy; and (c) a nominal amount of US$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by HWI(10);

(ii) corporate interests in 5,000,000 ordinary shares, representing approximately 0.06% of the then issued share capital, in Hutchison Harbour Ring Limited;

(iii) 5,100,000 ordinary shares, representing approximately 0.04% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;

(iv) corporate interests in 1,202,380 ordinary shares, representing approximately 0.02% of the then issued share capital, in HTHKH; and

(v) corporate interests in 250,000 common shares, representing approximately 0.03% of the then issued share capital, in Husky Energy.

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

Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had, as at 30 June 2013, personal interests in 250,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in HTHKH.

Mr Frank John Sixt had, as at 30 June 2013, the following interests:

(i) personal interests in (a) 1,000,000 ordinary shares, representing approximately 0.007% of the then issued share capital, in HTAL; (b) 17,000 American depositary shares (each representing 15 ordinary shares), representing approximately 0.005% of the then issued share capital, in HTHKH; (c) 38,635 common shares, representing approximately 0.004% of the then issued share capital, in Husky Energy; and (d) a nominal amount of US$1,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by HWI(10); and

(ii) corporate interests in a nominal amount of US$1,000,000 in the 5.90% Notes due 2014 issued by Husky Energy.

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

Mr Kam Hing Lam had, as at 30 June 2013, the following interests:

(i) personal interests in 100,000 ordinary shares, representing approximately 0.004% of the then issued share capital, in CKI held in his capacity as a beneficial owner; and

(ii) family interests in 100,000 ordinary shares, representing approximately 0.005% of the then issued share capital, in Power Assets held by his child.

Mr Holger Kluge in his capacity as a beneficial owner had, as at 30 June 2013, personal interests in 20,000 common shares, representing approximately 0.002% of the then issued share capital, in Husky Energy.

Ms Lee Wai Mun, Rose had, as at 30 June 2013, 43,117 common shares representing approximately 0.004% of the then issued share capital, in Husky Energy comprising corporate interests in 10,000 common shares held through a company of which Ms Lee is interested in the entire issued share capital, other interests in 483 common shares held by a trust of which Ms Lee is a beneficiary and other interests in 32,634 common shares held jointly with another person.

Mr Lee Yeh Kwong, Charles had, as at 30 June 2013, the following interests:

(i) 272,000 ordinary shares, representing approximately 0.01% of the then issued share capital, in Power Assets comprising corporate interests in 100,000 ordinary shares held through a company of which Mr Lee is interested in the entire issued share capital and family interests in 172,000 ordinary shares held by his spouse;

(ii) family interests in 1,500 common shares, representing approximately 0.0002% of the then issued share capital, in Husky Energy held by his spouse; and

(iii) corporate interests in a nominal amount of US$1,000,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited held through a company of which Mr Lee is interested in the entire issued share capital.

Mr George Colin Magnus had, as at 30 June 2013, the following interests:

(i) 13,333 ordinary shares, representing approximately 0.0003% of the then issued share capital, in HTHKH comprising personal interests in 13,201 ordinary shares held in his capacity as a beneficial owner and family interests in 132 ordinary shares held by his spouse; and

(ii) personal interests in 30,000 common shares and 14,460 unlisted and physically settled Deferred Share Units (each representing 1 common share), in aggregate representing approximately 0.005% of the then issued share capital, in Husky Energy held in his capacity as a beneficiary owner.

Mr William Shurniak in his capacity as a beneficial owner had, as at 30 June 2013, personal interests in 20,824 common shares, representing approximately 0.002% of the then issued share capital, in Husky Energy.

The Company had obtained from SEHK a waiver from strict compliance with paragraph 41(2) of Appendix 16 of the Rules Governing the Listing of Securities on SEHK from disclosing in this report the deemed interests of Messrs Li Ka-shing and Li Tzar Kuoi, Victor in the securities of all other associated corporations of the Company by virtue of their interests in Cheung Kong and the interests of Cheung Kong in the Company as described in Note (1) above.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and SEHK pursuant to the Securities Code.

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

## Interests and Short Positions of Shareholders Discloseable under the SFO

So far as is known to any Directors or chief executive of the Company, as at 30 June 2013, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and SEHK:

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

#### Long positions in the shares of the Company

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

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

#### Long positions in the shares of the Company

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

Notes:

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

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

Save as disclosed above, as at 30 June 2013, no other person (other than the Directors or chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and SEHK.

## Share Option Schemes

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

Employees' share option scheme interests in the Company's subsidiary companies for the six months ended 30 June 2013 are set out below:

### (I) Hutchison 3G UK Holdings Limited ("**3** UK")

On 20 May 2004, **3** UK adopted a share option scheme (the "**3** UK Plan") for the grant of options to acquire ordinary shares in the share capital of **3** UK (the "**3** UK Shares"). The **3** UK Plan is valid and effective during the period commencing on 20 May 2004 and ending on 20 May 2014, being the tenth anniversary of the date on which the **3** UK Plan was adopted.

Particulars of share options outstanding under the **3** UK Plan at the beginning and at the end of the financial period for the six months ended 30 June 2013 and share options granted, exercised, cancelled or lapsed under the **3** UK Plan during such period are as follows:

| Category of participant | Effective date of grant or date of grant of share options [1] | Number of share options held as at 1 January 2013 | Granted during the six months ended 30 June 2013 | Exercised during the six months ended 30 June 2013 | Lapsed/ cancelled during the six months ended 30 June 2013 | Number of share options held as at 30 June 2013 | Exercise period of share options | Exercise price of share options £ | Price of **3** UK Share at grant date of share options [3] £ | Price of **3** UK Share at exercise date of share options £ |
|---|---|---|---|---|---|---|---|---|---|---|
| Employees in aggregate | 20.5.2004 | 230,000 | – | – | (230,000) | – | From Listing [2] to 11.5.2013 | 1.35 | 1.00 | N/A |
| | 20.5.2004 | 280,000 | – | – | – | 280,000 | From Listing to 14.5.2014 | 1.35 | 1.00 | N/A |
| | 27.1.2005 | 120,000 | – | – | – | 120,000 | From Listing to 26.1.2015 | 1.35 | 1.00 | N/A |
| | 11.7.2005 | 160,000 | – | – | – | 160,000 | From Listing to 10.7.2015 | 1.35 | 1.00 | N/A |
| | 7.9.2007 | 382,750 | – | – | – | 382,750 | From Listing to 6.9.2017 | 1.35 | 1.00 | N/A |
| Total: | | 1,172,750 | – | – | (230,000) | 942,750 | | | | |

Notes:

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

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

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

As at 30 June 2013, **3** UK had 942,750 share options outstanding under the **3** UK Plan.

No share option was granted under the **3** UK Plan during the six months ended 30 June 2013.

## (II) Hutchison China MediTech Limited ("Chi-Med")

On 18 May 2006, Chi-Med adopted a share option scheme (the "Chi-Med Plan") for the grant of options to acquire ordinary shares in the share capital of Chi-Med (the "Chi-Med Shares"). The Chi-Med Plan is valid and effective during the period commencing on 18 May 2006 and ending on 17 May 2016, being the date falling 10 years from the date on which the Chi-Med Plan was adopted.

Particulars of share options outstanding under the Chi-Med Plan at the beginning and at the end of the financial period for the six months ended 30 June 2013 and share options granted, exercised, cancelled or lapsed under the Chi-Med Plan during such period are as follows:

| Name or category of participant | Effective date of grant or date of grant of share options | Number of share options held as at 1 January 2013 | Granted during the six months ended 30 June 2013 | Exercised during the six months ended 30 June 2013 | Lapsed/ cancelled during the six months ended 30 June 2013 | Number of share options held as at 30 June 2013 | Exercise period of share options | Exercise price of share options £ | Price of Chi-Med Share at grant date of share options £ | Price of Chi-Med Share at exercise date of share options £ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | |
| Christian Hogg | 19.5.2006 [1] | 768,182 | – | – | – | 768,182 | 19.5.2006 to 3.6.2015 | 1.09 | 2.505 [5] | N/A |
| Cheng Chig Fung, Johnny | 25.8.2008 [3] | 64,038 | – | – | – | 64,038 | 25.8.2008 to 24.8.2018 | 1.26 | 1.26 [6] | N/A |
| Sub-total: | | 832,220 | – | – | – | 832,220 | | | | |
| **Other employees in aggregate** | 19.5.2006 [1] | 76,818 | – | – | – | 76,818 | 19.5.2006 to 3.6.2015 | 1.09 | 2.505 [5] | N/A |
| | 11.9.2006 [2] | 26,808 | – | – | – | 26,808 | 11.9.2006 to 18.5.2016 | 1.715 | 1.715 [6] | N/A |
| | 18.5.2007 [4] | 43,857 | – | (3,000) | – | 40,857 | 18.5.2007 to 17.5.2017 | 1.535 | 1.535 [6] | 4.40 [7] |
| | 28.6.2010 [3] | 102,628 | – | – | – | 102,628 | 28.6.2010 to 27.6.2020 | 3.195 | 3.15 [6] | N/A |
| | 1.12.2010 [3] | 227,600 | – | – | (50,000) | 177,600 | 1.12.2010 to 30.11.2020 | 4.967 | 4.85 [6] | N/A |
| | 24.6.2011 [3] | 150,000 | – | – | – | 150,000 | 24.6.2011 to 23.6.2021 | 4.405 | 4.4 [6] | N/A |
| Sub-total: | | 627,711 | – | (3,000) | (50,000) | 574,711 | | | | |
| Total: | | 1,459,931 | – | (3,000) | (50,000) | 1,406,931 | | | | |

Notes:

(1) The share options were granted on 4 June 2005, conditionally upon Chi-Med's admission to trading on the AIM which took place on 19 May 2006. The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 50% on 19 May 2007 and 25% on each of 19 May 2008 and 19 May 2009.

(2) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of 19 May 2007, 19 May 2008 and 19 May 2009.

(3) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of 25% on each of the first, second, third and fourth anniversaries of the date of grant of share options.

(4) The share options granted are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.

(5) The stated price was the closing price of the Chi-Med Shares quoted on the AIM on the date of admission of listing of the Chi-Med Shares.

(6) The stated price was the closing price of the Chi-Med Shares quoted on the AIM on the trading day immediately prior to the date of grant of the share options.

(7) The stated price was the weighted average closing price of the Chi-Med Shares quoted on the AIM on the trading day immediately prior to the date on which the share options were exercised.

As at 30 June 2013, Chi-Med had 1,406,931 share options outstanding under the Chi-Med Plan.

No share option was granted under the Chi-Med Plan during the six months ended 30 June 2013.

## (III) Hutchison Harbour Ring Limited ("HHR")

On 20 May 2004, HHR adopted a share option scheme (the "HHR Plan") for the grant of options to acquire ordinary shares in the share capital of HHR (the "HHR Shares"). The HHR Plan is valid and effective during the period commencing on 20 May 2004 and ending on 19 May 2014, being the date falling 10 years from the date on which the HHR Plan was adopted.

Particulars of share options outstanding under the HHR Plan at the beginning and at the end of the financial period for the six months ended 30 June 2013 and share options granted, exercised, cancelled or lapsed under the HHR Plan during such period are as follows:

| Category of participant | Date of grant of share options | Number of share options held as at 1 January 2013 | Granted during the six months ended 30 June 2013 | Exercised during the six months ended 30 June 2013 | Lapsed/ cancelled during the six months ended 30 June 2013 | Number of share options held as at 30 June 2013 | Exercise period of share options (1) | Exercise price of share options HK$ | Price of HHR Share at grant date of share options (2) HK$ | Price of HHR Share at exercise date of share options HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employees in aggregate** | 3.6.2005 | 600,000 | – | – | – | 600,000 | 3.6.2006 to 2.6.2015 | 0.822 | 0.82 | N/A |
| | 25.5.2007 | 200,000 | – | – | – | 200,000 | 25.5.2008 to 24.5.2017 | 0.616 | 0.61 | N/A |
| Total: | | 800,000 | – | – | – | 800,000 | | | | |

Notes:

(1) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.

(2) The stated price was the closing price of the HHR Shares quoted on SEHK on the trading day immediately prior to the date of grant of the share options.

As at 30 June 2013, HHR had 800,000 share options outstanding under the HHR Plan.

No share option was granted under the HHR Plan during the six months ended 30 June 2013.

## (IV) Hutchison Telecommunications (Australia) Limited ("HTAL")

On 1 June 2007, HTAL adopted a share option plan (the "HTAL Plan") for the grant of options to acquire ordinary shares in the share capital of HTAL (the "HTAL Shares"). The HTAL Plan is valid and effective during the period commencing on 1 June 2007 and ending on 31 May 2017, being the date falling 10 years from the date on which the HTAL Plan was adopted.

Particulars of share options outstanding under the HTAL Plan at the beginning and at the end of the financial period for the six months ended 30 June 2013 and share options granted, exercised, cancelled or lapsed under the HTAL Plan during such period are as follows:

| Category of participant | Date of grant of share options | Number of share options held as at 1 January 2013 | Granted during the six months ended 30 June 2013 | Exercised during the six months ended 30 June 2013 | Lapsed/ cancelled during the six months ended 30 June 2013 | Number of share options held as at 30 June 2013 | Exercise period of share options | Exercise price of share options (2) A$ | Price of HTAL Share at grant date of share options (3) A$ | Price of HTAL Share at exercise date of share options A$ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employees in aggregate** | 4.6.2008 (1) | 300,000 | – | – | (300,000) | – | 1.1.2010 to 3.6.2013 | 0.139 | 0.139 | N/A |
| Total: | | 300,000 | – | – | (300,000) | – | | | | |

Notes:

(1) The share options lapsed on 3 June 2013 in accordance with the terms of issue.

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

(3) The stated price was the ASX closing price of the HTAL Shares on the trading day immediately prior to the date of grant of the share options.

As at 30 June 2013, HTAL had no share options outstanding under the HTAL Plan.

No share option was granted under the HTAL Plan during the six months ended 30 June 2013.

## (V) Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH")

On 21 May 2009, HTHKH adopted a share option scheme (the "HTHKH Plan") for the grant of options to acquire ordinary shares in the share capital of HTHKH (the "HTHKH Shares"). The HTHKH Plan is valid and effective during the period commencing on 21 May 2009 and ending on 20 May 2019, being the date falling 10 years from the date on which the HTHKH Plan was adopted.

Particulars of share options outstanding under the HTHKH Plan at the beginning and at the end of the financial period for the six months ended 30 June 2013 and share options granted, exercised, cancelled or lapsed under the HTHKH Plan during such period are as follows:

| Category of participant | Date of grant of share options (1) | Number of share options held as at 1 January 2013 | Granted during the six months ended 30 June 2013 | Exercised during the six months ended 30 June 2013 | Lapsed/ cancelled during the six months ended 30 June 2013 | Number of share options held as at 30 June 2013 | Exercise period of share options | Exercise price of share options (2) HK$ | Price of HTHKH Share at grant date of share options (3) HK$ | Price of HTHKH Share at exercise date of share options HK$ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Employees in aggregate** | 1.6.2009 | 200,000 | – | – | – | 200,000 | 1.6.2009 to 31.5.2019 | 1.00 | 0.96 | N/A |
| Total: | | 200,000 | – | – | – | 200,000 | | | | |

Notes:

(1) The share options were vested according to a schedule, namely, as to as close to one-third of the HTHKH Shares which are subject to the share options as possible on each of 1 June 2009, 23 November 2009 and 23 November 2010, and provided that for the vesting to occur the grantee has to remain an Eligible Participant (as defined in the HTHKH Plan) on such vesting date.

(2) The exercise price of the share options is subject to adjustment in accordance with the provisions of the HTHKH Plan.

(3) The stated price was the closing price of the HTHKH Shares on SEHK on the trading day immediately prior to the date of grant of the share options.

As at 30 June 2013, HTHKH had 200,000 share options outstanding under the HTHKH Plan.

No share option was granted under the HTHKH Plan during the six months ended 30 June 2013.

# Corporate Governance

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

## Compliance with the Corporate Governance Code

The Company has been compliant throughout the six months ended 30 June 2013 with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those in respect of the nomination committee. The Company has considered the merits of establishing a nomination committee but is of the view that it is in the best interests of the Company that the Board collectively reviews, deliberates on and approves the structure, size and composition of the Board and the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with the relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of the existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the Group Managing Director.

## Compliance with the Model Code for Securities Transactions by Directors of the Company

The Board adopted its own Model Code for Securities Transactions by Directors (the "Securities Code") on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. In response to specific enquiries made, all Directors of the Company have confirmed that they have complied with the Securities Code in their securities transactions throughout the accounting period covered by this interim report.

# Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"), the changes in information of Directors of the Company subsequent to the date of the 2012 Annual Report of the Company are set out below:

| Name of Director | Details of Changes |
|---|---|
| Li Tzar Kuoi, Victor | Appointed as chairman of executive committee of Cheung Kong (Holdings) Limited* on 27 March 2013 |
| Kam Hing Lam | Appointed as a member of executive committee of Cheung Kong (Holdings) Limited* on 27 March 2013 |
| Lee Wai Mun, Rose | Appointed as<br>- a member of the finance services advisory committee of Hong Kong Trade Development Council with effect from 1 April 2013<br>- co-chairman of the campaign committee of The Community Chest of Hong Kong with effect from 1 April 2013<br>- vice-chairman of the finance professional committee of Guangdong's Association for Promotion of Cooperation between Guangdong, Hongkong & Macao with effect from June 2013<br>- a board member of The Community Chest of Hong Kong with effect from 25 June 2013<br><br>Ceased to act as vice chairman of the China committee of the Hong Kong General Chamber of Commerce with effect from 9 July 2013 |

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

# Report on Review of Interim Financial Report

**TO THE BOARD OF DIRECTORS OF**
**HUTCHISON WHAMPOA LIMITED**
(incorporated in Hong Kong with limited liability)

## Introduction

We have reviewed the interim financial report set out on pages 43 to 84, which comprises the condensed consolidated statement of financial position of Hutchison Whampoa Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## Conclusion

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 1 August 2013

# Interim Accounts

## Condensed Consolidated Income Statement

for the six months ended 30 June 2013

| Unaudited 2013 US$ millions | | Note | Unaudited 2013 HK$ millions | Unaudited As restated Note 2 2012 HK$ millions |
|---|---|---|---|---|
| **15,803** | Revenue | 3 | **123,262** | 115,726 |
| **(6,238)** | Cost of inventories sold | | **(48,655)** | (46,869) |
| **(2,118)** | Staff costs | | **(16,524)** | (15,744) |
| **(1,506)** | Telecommunications customer acquisition costs | | **(11,751)** | (11,340) |
| **(987)** | Depreciation and amortisation | 3 | **(7,699)** | (6,820) |
| **(3,355)** | Other operating expenses | 3 | **(26,166)** | (24,747) |
| **1** | Change in fair value of investment properties | | **7** | – |
| **(15)** | Profits on disposal of investments and others | 4 | **(116)** | – |
| | Share of profits less losses after tax of: | | | |
| **971** | Associated companies | | **7,573** | 7,254 |
| **405** | Joint ventures | | **3,161** | 2,119 |
| **2,961** | | 3 | **23,092** | 19,579 |
| **(556)** | Interest expenses and other finance costs | 5 | **(4,335)** | (4,445) |
| **2,405** | **Profit before tax** | | **18,757** | 15,134 |
| **(247)** | Current tax | 6 | **(1,925)** | (1,056) |
| **(115)** | Deferred tax | 6 | **(896)** | (948) |
| **2,043** | **Profit after tax** | | **15,936** | 13,130 |
| **(454)** | **Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities** | | **(3,538)** | (3,038) |
| **1,589** | **Profit attributable to ordinary shareholders of the Company** | | **12,398** | 10,092 |
| **US 37.3 cents** | **Earnings per share for profit attributable to ordinary shareholders of the Company** | 7 | **HK$ 2.91** | HK$ 2.37 |

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

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013

| Unaudited 2013 US$ millions | | Unaudited 2013 HK$ millions | Unaudited As restated Note 2 2012 HK$ millions |
|---|---|---|---|
| **2,043** | **Profit after tax** | **15,936** | 13,130 |
| | **Other comprehensive income (losses)** | | |
| | **Items that will not be reclassified to profit or loss:** | | |
| **15** | Remeasurement of defined benefit obligations recognised directly in reserves | **116** | (81) |
| **(16)** | Share of other comprehensive income (losses) of associated companies for the period | **(128)** | (35) |
| **1** | Share of other comprehensive income of joint ventures for the period | **8** | 3 |
| **–** | Tax relating to items that will not be reclassified to profit or loss | **2** | 18 |
| **–** | | **(2)** | (95) |
| | **Items that have been reclassified or may be subsequently reclassified to profit or loss:** | | |
| | Available-for-sale investments | | |
| **16** | Valuation gains recognised directly in reserves | **127** | 593 |
| **(7)** | Valuation gains previously in reserves recognised in income statement for the period | **(57)** | (210) |
| **20** | Gains (losses) on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves for the period | **157** | (62) |
| **(1,000)** | Losses on translating overseas subsidiaries' net assets recognised directly in reserves | **(7,802)** | (3,780) |
| **(608)** | Share of other comprehensive income (losses) of associated companies for the period | **(4,742)** | (153) |
| **(54)** | Share of other comprehensive income (losses) of joint ventures for the period | **(418)** | (508) |
| **(2)** | Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss | **(18)** | (25) |
| **(1,635)** | | **(12,753)** | (4,145) |
| **(1,635)** | Other comprehensive income (losses) after tax | **(12,755)** | (4,240) |
| **408** | **Total comprehensive income** | **3,181** | 8,890 |
| **(363)** | **Allocated as: Attributable to non-controlling interests and holders of perpetual capital securities** | **(2,827)** | (2,780) |
| **45** | **Attributable to ordinary shareholders of the Company** | **354** | 6,110 |

# Condensed Consolidated Statement of Financial Position

at 30 June 2013

| **Unaudited 30 June 2013 US$ millions** | | Note | **Unaudited 30 June 2013 HK$ millions** | As restated Note 2 31 December 2012 HK$ millions |
|---|---|---|---|---|
| | **ASSETS** | | | |
| | **Non-current assets** | | | |
| **21,422** | Fixed assets | 8 | **167,093** | 167,588 |
| **5,603** | Investment properties | | **43,702** | 43,652 |
| **1,178** | Leasehold land | | **9,186** | 9,495 |
| **10,130** | Telecommunications licences | | **79,011** | 78,655 |
| **4,751** | Goodwill | | **37,057** | 26,492 |
| **2,332** | Brand names and other rights | | **18,194** | 15,328 |
| **18,945** | Associated companies | | **147,776** | 151,860 |
| **8,063** | Interests in joint ventures | | **62,888** | 70,395 |
| **2,291** | Deferred tax assets | 9 | **17,874** | 18,059 |
| **1,065** | Other non-current assets | 10 | **8,305** | 9,579 |
| **2,201** | Liquid funds and other listed investments | 11 | **17,164** | 23,499 |
| **77,981** | | | **608,250** | 614,602 |
| | **Current assets** | | | |
| **12,448** | Cash and cash equivalents | 12 | **97,096** | 107,948 |
| **8,264** | Trade and other receivables | 13 | **64,455** | 61,788 |
| **2,488** | Inventories | | **19,408** | 19,533 |
| **23,200** | | | **180,959** | 189,269 |
| | **Current liabilities** | | | |
| **10,095** | Trade and other payables | 14 | **78,739** | 78,471 |
| **2,838** | Bank and other debts | 15 | **22,135** | 39,596 |
| **367** | Current tax liabilities | | **2,860** | 2,856 |
| **13,300** | | | **103,734** | 120,923 |
| **9,900** | **Net current assets** | | **77,225** | 68,346 |
| **87,881** | **Total assets less current liabilities** | | **685,475** | 682,948 |
| | **Non-current liabilities** | | | |
| **27,172** | Bank and other debts | 15 | **211,941** | 220,440 |
| **714** | Interest bearing loans from non-controlling shareholders | | **5,572** | 6,307 |
| **1,369** | Deferred tax liabilities | 9 | **10,682** | 8,968 |
| **451** | Pension obligations | | **3,515** | 3,616 |
| **648** | Other non-current liabilities | 16 | **5,055** | 5,076 |
| **30,354** | | | **236,765** | 244,407 |
| **57,527** | **Net assets** | | **448,710** | 438,541 |
| | **CAPITAL AND RESERVES** | | | |
| **137** | Share capital | 17 | **1,066** | 1,066 |
| **5,107** | Perpetual capital securities | 17 | **39,833** | 23,400 |
| **46,251** | Reserves | | **360,760** | 367,053 |
| **51,495** | **Total ordinary shareholders' funds and perpetual capital securities** | | **401,659** | 391,519 |
| **6,032** | Non-controlling interests | | **47,051** | 47,022 |
| **57,527** | **Total equity** | | **448,710** | 438,541 |

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2013

| Unaudited 2013 US$ millions | | Note | Unaudited 2013 HK$ millions | Unaudited As restated Note 2 2012 HK$ millions |
|---|---|---|---|---|
| | **Operating activities** | | | |
| **3,722** | Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital | 18 (a) | **29,032** | 20,085 |
| **(518)** | Interest expenses and other finance costs paid | | **(4,037)** | (4,053) |
| **(244)** | Tax paid | | **(1,907)** | (1,005) |
| **2,960** | **Funds from operations** | | **23,088** | 15,027 |
| **(704)** | Changes in working capital | 18 (b) | **(5,489)** | (3,422) |
| **2,256** | **Net cash from operating activities** | | **17,599** | 11,605 |
| | **Investing activities** | | | |
| **(1,070)** | Purchase of fixed assets and investment properties | | **(8,342)** | (10,214) |
| **(2)** | Additions to leasehold land | | **(19)** | (89) |
| **(343)** | Additions to telecommunications licences | | **(2,676)** | (1,594) |
| **(4)** | Additions to brand names and other rights | | **(30)** | (64) |
| **(2,243)** | Purchase of subsidiary companies | 18 (c) | **(17,499)** | – |
| **–** | Additions to other unlisted investments and long term receivables | | **(2)** | (15) |
| **1,162** | Repayments from associated companies and joint ventures | | **9,068** | 266 |
| **(651)** | Purchase of and advances to (including deposits from) associated companies and joint ventures | | **(5,080)** | (2,804) |
| **539** | Proceeds on disposal of fixed assets, leasehold land, investment properties and other assets | | **4,206** | 339 |
| **67** | Proceeds on disposal of subsidiary companies | 18 (d) | **520** | 194 |
| **6** | Proceeds on disposal of associated companies | | **47** | – |
| **–** | Proceeds on disposal of a joint venture | | **–** | 8 |
| **–** | Proceeds on disposal of other unlisted investments | | **–** | 135 |
| **(2,539)** | Cash flows used in investing activities before additions to / disposal of liquid funds and other listed investments | | **(19,807)** | (13,838) |
| **781** | Disposal of liquid funds and other listed investments | | **6,095** | 83 |
| **(16)** | Additions to liquid funds and other listed investments | | **(124)** | (770) |
| **(1,774)** | **Cash flows used in investing activities** | | **(13,836)** | (14,525) |
| **482** | **Net cash inflow (outflow) before financing activities** | | **3,763** | (2,920) |

| Unaudited 2013 US$ millions | | Note | Unaudited 2013 HK$ millions | Unaudited As restated Note 2 2012 HK$ millions |
|---|---|---|---|---|
| | **Financing activities** | | | |
| **2,997** | New borrowings | | **23,373** | 48,431 |
| **(5,761)** | Repayment of borrowings | | **(44,935)** | (20,227) |
| **10** | Issue of shares by subsidiary companies to non-controlling shareholders and net loans from non-controlling shareholders | | **80** | 4,531 |
| **(1)** | Payments to acquire additional interests in subsidiary companies | | **(8)** | (123) |
| **2,272** | Proceeds on issue of perpetual capital securities, net of transaction costs | | **17,726** | 7,746 |
| **(198)** | Repurchase of perpetual capital securities | 17 (b) | **(1,543)** | – |
| **(268)** | Dividends paid to non-controlling interests | | **(2,096)** | (1,818) |
| **(88)** | Distribution paid on perpetual capital securities | | **(689)** | (468) |
| **(836)** | Dividends paid to ordinary shareholders | | **(6,523)** | (6,523) |
| **(1,873)** | **Cash flows from (used in) financing activities** | | **(14,615)** | 31,549 |
| **(1,391)** | Increase (decrease) in cash and cash equivalents | | **(10,852)** | 28,629 |
| **13,839** | Cash and cash equivalents at 1 January | | **107,948** | 66,539 |
| **12,448** | **Cash and cash equivalents at 30 June** | | **97,096** | 95,168 |

| 30 June 2013 US$ millions | | 30 June 2013 HK$ millions | 30 June 2012 HK$ millions |
|---|---|---|---|
| | **Analysis of cash, liquid funds and other listed investments** | | |
| **12,448** | Cash and cash equivalents, as above | **97,096** | 95,168 |
| **2,201** | Liquid funds and other listed investments | **17,164** | 21,350 |
| **14,649** | **Total cash, liquid funds and other listed investments** | **114,260** | 116,518 |
| **29,738** | Total principal amount of bank and other debts | **231,957** | 240,318 |
| **714** | Interest bearing loans from non-controlling shareholders | **5,572** | 6,374 |
| **15,803** | **Net debt** | **123,269** | 130,174 |
| **(714)** | Interest bearing loans from non-controlling shareholders | **(5,572)** | (6,374) |
| **15,089** | **Net debt (excluding interest bearing loans from non-controlling shareholders)** | **117,697** | 123,800 |

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013

| | Attributable to | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Ordinary shareholders | | | | | Holders of perpetual capital securities | Total ordinary shareholders' funds and perpetual capital securities | Non-controlling interests | Total equity |
| | Share capital and premium [a] | Exchange reserve | Other reserves [b] | Retained profit | Sub-total | | | | |
| | HK$ millions | HK$ millions | HK$ millions | HK$ millions | HK$ millions | HK$ millions | HK$ millions | HK$ millions | HK$ millions |
| **At 1 January 2013, as previously reported** | **29,425** | **12,064** | **6,027** | **320,409** | **367,925** | **23,634** | **391,559** | **47,033** | **438,592** |
| **Prior year adjustment in respect of a change in accounting policy (see note 2)** | **–** | **–** | **–** | **(40)** | **(40)** | **–** | **(40)** | **(11)** | **(51)** |
| **At 1 January 2013, as restated** | **29,425** | **12,064** | **6,027** | **320,369** | **367,885** | **23,634** | **391,519** | **47,022** | **438,541** |
| **Profit for the period** | **–** | **–** | **–** | **12,398** | **12,398** | **773** | **13,171** | **2,765** | **15,936** |
| **Other comprehensive income (losses)** | **–** | **(12,451)** | **406** | **1** | **(12,044)** | **–** | **(12,044)** | **(711)** | **(12,755)** |
| **Total comprehensive income (losses)** | **–** | **(12,451)** | **406** | **12,399** | **354** | **773** | **1,127** | **2,054** | **3,181** |
| **Dividends paid relating to 2012** | **–** | **–** | **–** | **(6,523)** | **(6,523)** | **–** | **(6,523)** | **–** | **(6,523)** |
| **Dividends paid to non-controlling interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(2,084)** | **(2,084)** |
| **Distribution paid on perpetual capital securities** | **–** | **–** | **–** | **–** | **–** | **(689)** | **(689)** | **–** | **(689)** |
| **Equity contribution from non-controlling interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **107** | **107** |
| **Share option schemes of subsidiaries** | **–** | **–** | **(2)** | **–** | **(2)** | **–** | **(2)** | **1** | **(1)** |
| **Issuance of perpetual capital securities [c]** | **–** | **–** | **–** | **–** | **–** | **17,879** | **17,879** | **–** | **17,879** |
| **Transaction costs in relation to issuance of perpetual capital securities** | **–** | **–** | **–** | **(153)** | **(153)** | **–** | **(153)** | **–** | **(153)** |
| **Repurchase of perpetual capital securities [c]** | **–** | **–** | **–** | **(97)** | **(97)** | **(1,446)** | **(1,543)** | **–** | **(1,543)** |
| **Relating to acquisition of subsidiary companies** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **2** | **2** |
| **Relating to purchase of non-controlling interests** | **–** | **–** | **(8)** | **–** | **(8)** | **–** | **(8)** | **1** | **(7)** |
| **Relating to partial disposal of subsidiary companies** | **–** | **1** | **51** | **–** | **52** | **–** | **52** | **(52)** | **–** |
| | **–** | **1** | **41** | **(6,773)** | **(6,731)** | **15,744** | **9,013** | **(2,025)** | **6,988** |
| **At 30 June 2013** | **29,425** | **(386)** | **6,474** | **325,995** | **361,508** | **40,151** | **401,659** | **47,051** | **448,710** |
| At 1 January 2012, as previously reported | 29,425 | 6,968 | 3,632 | 303,823 | 343,848 | 15,764 | 359,612 | 39,171 | 398,783 |
| Prior year adjustment in respect of a change in accounting policy (see note 2) | – | – | – | (41) | (41) | – | (41) | (12) | (53) |
| At 1 January 2012, as restated | 29,425 | 6,968 | 3,632 | 303,782 | 343,807 | 15,764 | 359,571 | 39,159 | 398,730 |
| Profit for the period, as restated | – | – | – | 10,092 | 10,092 | 538 | 10,630 | 2,500 | 13,130 |
| Other comprehensive income (losses), as restated | – | (3,693) | (227) | (62) | (3,982) | – | (3,982) | (258) | (4,240) |
| Total comprehensive income (losses), as restated | – | (3,693) | (227) | 10,030 | 6,110 | 538 | 6,648 | 2,242 | 8,890 |
| Dividends paid relating to 2011 | – | – | – | (6,523) | (6,523) | – | (6,523) | – | (6,523) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | (1,738) | (1,738) |
| Distribution paid on perpetual capital securities | – | – | – | – | – | (468) | (468) | – | (468) |
| Equity contribution from non-controlling interests | – | – | – | – | – | – | – | 4,674 | 4,674 |
| Transaction costs in relation to equity contribution from non-controlling interests | – | – | – | (39) | (39) | – | (39) | (10) | (49) |
| Unclaimed dividends write back | – | – | – | 6 | 6 | – | 6 | – | 6 |
| Issuance of perpetual capital securities [c] | – | – | – | – | – | 7,800 | 7,800 | – | 7,800 |
| Transaction costs in relation to issuance of perpetual capital securities | – | – | – | (54) | (54) | – | (54) | – | (54) |
| Relating to purchase of non-controlling interests | – | – | (110) | – | (110) | – | (110) | (13) | (123) |
| Relating to partial disposal of subsidiary companies | – | (27) | 796 | 36 | 805 | – | 805 | (805) | – |
| | – | (27) | 686 | (6,574) | (5,915) | 7,332 | 1,417 | 2,108 | 3,525 |
| At 30 June 2012, as restated | 29,425 | 3,248 | 4,091 | 307,238 | 344,002 | 23,634 | 367,636 | 43,509 | 411,145 |

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

(b) Other reserves comprise revaluation reserve, hedging reserve and other capital reserves. As at 30 June 2013, revaluation reserve surplus amounted to HK$3,669 million (1 January 2013 — HK$3,690 million and 30 June 2012 — HK$2,439 million), hedging reserve deficit amounted to HK$699 million (1 January 2013 — HK$1,125 million and 30 June 2012 — HK$1,010 million) and other capital reserves surplus amounted to HK$3,504 million (1 January 2013 — HK$3,462 million and 30 June 2012 — HK$2,662 million). Revaluation surplus (deficit) arising from revaluation to market value of listed debt securities and listed equity securities which are available for sale are included in the revaluation reserve. Fair value changes arising from the effective portion of hedging instruments designated as cash flow hedges are included in the hedging reserve.

(c) During the six months ended 30 June 2013, the Group had repurchased US$185 million (approximately HK$1,446 million) nominal amount of subordinated guaranteed perpetual capital securities that were originally issued in October 2010 at an aggregate nominal amount of US$2,000 million (approximately HK$15,600 million).

In May 2013 and May 2012, wholly owned subsidiary companies of the Group issued subordinated guaranteed perpetual capital securities (the "perpetual capital securities") with a nominal amount of €1,750 million (approximately HK$17,879 million) and US$1,000 million (approximately HK$7,800 million) for cash, which are classified as equity under Hong Kong Financial Reporting Standards.

# Notes to the Condensed Interim Accounts

## 1 Basis of preparation

These unaudited condensed interim accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These interim accounts should be read in conjunction with the 2012 annual accounts, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

## 2 Significant accounting policies

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

The accounting policies applied and methods of computation used in the preparation of these interim accounts are consistent with those used in the 2012 annual accounts, except for the adoption of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 January 2013.

Except as described below, the adoption of these new and revised standards, amendments and interpretations does not have an impact on the Group's accounting policies.

**HKFRS 10 *Consolidated Financial Statements* and HKAS 27 *Separate Financial Statements***

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

**HKFRS 11 *Joint Arrangements* and HKAS 28 *Investment in Associates and Joint Ventures***

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

Under HKFRS 11 investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike HKAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted. The application of this new standard had no impact on the Group's results of operations or financial position.

**HKFRS 13 *Fair Value Measurement***

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in Note 24.

**HKAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1***

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments affected presentation only and had no impact on the Group's results of operations or financial position.

## 2 Significant accounting policies (continued)

**HKAS 19 *Employee Benefits (Revised 2011)* ("HKAS 19 (2011)")**

HKAS 19 (2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit or loss; expected returns on plan assets are no longer recognised in profit or loss and instead, interest on the net defined benefit liability (asset) is in profit or loss, calculated using the discount rate used to measure the defined benefit obligation and; unvested past service costs are now recognised in profit or loss in the period and not amortised over the vesting period. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

HKAS 19 (2011) requires retrospective application. The adoption of HKAS 19 (2011) had an impact on the net defined benefit plan obligations primarily due to the difference in accounting for interest on plan assets. The effect of the adoption of HKAS 19 (2011) is explained below.

(i) Estimated effect on the consolidated income statement for the six months ended 30 June 2013

| | HKAS 19 (2011) "Employees Benefits" HK$ millions |
|---|---|
| Revenue | – |
| Cost of inventories sold | – |
| Staff costs | (147) |
| Telecommunications customer acquisition costs | – |
| Depreciation and amortisation | – |
| Other operating expenses | – |
| Change in fair value of investment properties | – |
| Profits on disposal of investments and others | – |
| Share of profits less losses after tax of: | |
| Associated companies | (11) |
| Joint ventures | (2) |
| | (160) |
| Interest and other finance costs | – |
| **Profit before tax** | (160) |
| Current tax | – |
| Deferred tax | 9 |
| **Profit after tax** | (151) |
| **Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities** | 13 |
| **Profit attributable to ordinary shareholders of the Company** | (138) |
| **Earnings per share for profit attributable to ordinary shareholders of the Company** | (HK$ 0.03) |

## 2 Significant accounting policies (continued)

(ii) Estimated effect on the consolidated statement of comprehensive income for the six months ended 30 June 2013

| | HKAS 19 (2011) "Employees Benefits" HK$ millions |
|---|---|
| **Profit after tax** | (151) |
| **Other comprehensive income (losses)** | |
| **Items that will not be reclassified to profit or loss:** | |
| Remeasurement of defined benefit obligations recognised directly in reserves | 146 |
| Share of other comprehensive income (losses) of associated companies for the period | 35 |
| Share of other comprehensive income of joint ventures for the period | 2 |
| Tax relating to items that will not be reclassified to profit or loss | (9) |
| | 174 |
| **Items that have been reclassified or may be subsequently reclassified to profit or loss:** | |
| Available-for-sale investments | |
| Valuation gains recognised directly in reserves | – |
| Valuation gains previously in reserves recognised in income statement for the period | – |
| Gains (losses) on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves for the period | – |
| Losses on translating overseas subsidiaries' net assets recognised directly in reserves | – |
| Share of other comprehensive income (losses) of associated companies for the period | – |
| Share of other comprehensive income (losses) of joint ventures for the period | – |
| Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss | – |
| | – |
| Other comprehensive income (losses) after tax | 174 |
| **Total comprehensive income** | 23 |
| **Allocated as: Attributable to non-controlling interests and holders of perpetual capital securities** | – |
| **Attributable to ordinary shareholders of the Company** | 23 |

## 2 Significant accounting policies (continued)

(iii) Estimated effect on the consolidated statement of financial position as at 30 June 2013

| | HKAS 19 (2011) "Employees Benefits" HK$ millions |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Fixed assets | – |
| Investment properties | – |
| Leasehold land | – |
| Telecommunications licences | – |
| Goodwill | – |
| Brand names and other rights | – |
| Associated companies | 24 |
| Interests in joint ventures | (2) |
| Deferred tax assets | (8) |
| Other non-current assets | – |
| Liquid funds and other listed investments | – |
| | 14 |
| **Current assets** | |
| Cash and cash equivalents | – |
| Trade and other receivables | – |
| Inventories | – |
| | – |
| **Current liabilities** | |
| Trade and other payables | – |
| Bank and other debts | – |
| Current tax liabilities | – |
| | – |
| **Net current assets** | – |
| **Total assets less current liabilities** | 14 |
| **Non-current liabilities** | |
| Bank and other debts | – |
| Interest bearing loans from non-controlling shareholders | – |
| Deferred tax liabilities | (5) |
| Pension obligations | 47 |
| Other non-current liabilities | – |
| | 42 |
| **Net assets** | (28) |
| **CAPITAL AND RESERVES** | |
| Share capital | – |
| Perpetual capital securities | – |
| Reserves | (17) |
| **Total ordinary shareholders' funds and perpetual capital securities** | (17) |
| Non-controlling interests | (11) |
| **Total equity** | (28) |

## 2 Significant accounting policies (continued)

(iv) Effect on the consolidated income statement for the six months ended 30 June 2012

| | As previously reported HK$ millions | HKAS 19 (2011) "Employees Benefits" HK$ millions | As restated HK$ millions |
|---|---|---|---|
| Revenue | 115,726 | – | 115,726 |
| Cost of inventories sold | (46,869) | – | (46,869) |
| Staff costs | (15,621) | (123) | (15,744) |
| Telecommunications customer acquisition costs | (11,340) | – | (11,340) |
| Depreciation and amortisation | (6,820) | – | (6,820) |
| Other operating expenses | (24,747) | – | (24,747) |
| Change in fair value of investment properties | – | – | – |
| Profits on disposal of investments and others | – | – | – |
| Share of profits less losses after tax of: | | | |
| Associated companies | 7,264 | (10) | 7,254 |
| Joint ventures | 2,122 | (3) | 2,119 |
| | 19,715 | (136) | 19,579 |
| Interest and other finance costs | (4,445) | – | (4,445) |
| **Profit before tax** | 15,270 | (136) | 15,134 |
| Current tax | (1,056) | – | (1,056) |
| Deferred tax | (957) | 9 | (948) |
| **Profit after tax** | 13,257 | (127) | 13,130 |
| **Allocated as: Profit attributable to non-controlling interests and holders of perpetual capital securities** | (3,049) | 11 | (3,038) |
| **Profit attributable to ordinary shareholders of the Company** | 10,208 | (116) | 10,092 |
| **Earnings per share for profit attributable to ordinary shareholders of the Company** | HK$ 2.39 | (HK$ 0.02) | HK$ 2.37 |

## 2 Significant accounting policies (continued)

(v) Effect on the consolidated statement of comprehensive income for the six months ended 30 June 2012

| | As previously reported HK$ millions | HKAS 19 (2011) "Employees Benefits" HK$ millions | As restated HK$ millions |
|---|---|---|---|
| **Profit after tax** | 13,257 | (127) | 13,130 |
| **Other comprehensive income (losses)** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of defined benefit obligations recognised directly in reserves | (214) | 133 | (81) |
| Share of other comprehensive income (losses) of associated companies for the period | (45) | 10 | (35) |
| Share of other comprehensive income of joint ventures for the period | – | 3 | 3 |
| Tax relating to items that will not be reclassified to profit or loss | 28 | (10) | 18 |
| | (231) | 136 | (95) |
| **Items that have been reclassified or may be subsequently reclassified to profit or loss:** | | | |
| Available-for-sale investments | | | |
| Valuation gains recognised directly in reserves | 593 | – | 593 |
| Valuation gains previously in reserves recognised in income statement for the period | (210) | – | (210) |
| Gains (losses) on cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts recognised directly in reserves for the period | (62) | – | (62) |
| Losses on translating overseas subsidiaries' net assets recognised directly in reserves | (3,780) | – | (3,780) |
| Share of other comprehensive income (losses) of associated companies for the period | (153) | – | (153) |
| Share of other comprehensive income (losses) of joint ventures for the period | (508) | – | (508) |
| Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss | (25) | – | (25) |
| | (4,145) | – | (4,145) |
| Other comprehensive income (losses) after tax | (4,376) | 136 | (4,240) |
| **Total comprehensive income** | 8,881 | 9 | 8,890 |
| **Allocated as: Attributable to non-controlling interests and holders of perpetual capital securities** | (2,780) | – | (2,780) |
| **Attributable to ordinary shareholders of the Company** | 6,101 | 9 | 6,110 |

## 2 Significant accounting policies (continued)

(vi) Effect on the consolidated statement of financial position as at 31 December 2012

| | As previously reported HK$ millions | HKAS 19 (2011) "Employees Benefits" HK$ millions | As restated HK$ millions |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 167,588 | – | 167,588 |
| Investment properties | 43,652 | – | 43,652 |
| Leasehold land | 9,495 | – | 9,495 |
| Telecommunications licences | 78,655 | – | 78,655 |
| Goodwill | 26,492 | – | 26,492 |
| Brand names and other rights | 15,328 | – | 15,328 |
| Associated companies | 151,860 | – | 151,860 |
| Interests in joint ventures | 70,397 | (2) | 70,395 |
| Deferred tax assets | 18,067 | (8) | 18,059 |
| Other non-current assets | 9,579 | – | 9,579 |
| Liquid funds and other listed investments | 23,499 | – | 23,499 |
| | 614,612 | (10) | 614,602 |
| **Current assets** | | | |
| Cash and cash equivalents | 107,948 | – | 107,948 |
| Trade and other receivables | 61,788 | – | 61,788 |
| Inventories | 19,533 | – | 19,533 |
| | 189,269 | – | 189,269 |
| **Current liabilities** | | | |
| Trade and other payables | 78,471 | – | 78,471 |
| Bank and other debts | 39,596 | – | 39,596 |
| Current tax liabilities | 2,856 | – | 2,856 |
| | 120,923 | – | 120,923 |
| **Net current assets** | 68,346 | – | 68,346 |
| **Total assets less current liabilities** | 682,958 | (10) | 682,948 |
| **Non-current liabilities** | | | |
| Bank and other debts | 220,440 | – | 220,440 |
| Interest bearing loans from non-controlling shareholders | 6,307 | – | 6,307 |
| Deferred tax liabilities | 8,973 | (5) | 8,968 |
| Pension obligations | 3,570 | 46 | 3,616 |
| Other non-current liabilities | 5,076 | – | 5,076 |
| | 244,366 | 41 | 244,407 |
| **Net assets** | 438,592 | (51) | 438,541 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 1,066 | – | 1,066 |
| Perpetual capital securities | 23,400 | – | 23,400 |
| Reserves | 367,093 | (40) | 367,053 |
| **Total ordinary shareholders' funds and perpetual capital securities** | 391,559 | (40) | 391,519 |
| Non-controlling interests | 47,033 | (11) | 47,022 |
| **Total equity** | 438,592 | (51) | 438,541 |

## 3 Operating segment information

The following presents information regarding the Group's operating segments for the six months ended 30 June 2013 and 2012. Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items and the column headed as Associates and JV refers to the Group's share of associated companies' and joint ventures' respective items.

The Group's telecommunications division consists of a 65.01% interest in Hutchison Telecommunications Hong Kong Holdings, which is listed on the Stock Exchange of Hong Kong, Hutchison Asia Telecommunications, an 87.87% interest in the Australian Securities Exchange listed Hutchison Telecommunications (Australia) ("HTAL"), which has a 50% interest in a joint venture company, Vodafone Hutchison Australia Pty Limited ("VHA"), and **3** Group Europe with businesses in 6 countries in Europe.

VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results for the six months ended 30 June 2013 is presented as a separate item within the income statement line item titled profits on disposal of investments and others to separately identify it from the recurring earnings profile during this phase. The comparable share of VHA's results for the six months ended 30 June 2012 is presented in this segmental analysis as the "Reconciliation item" to reconcile segment results to consolidated results of the Company.

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

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated mainly attributable to Property and hotels is HK$190 million (30 June 2012 — HK$170 million) and Hutchison Telecommunications Hong Kong Holdings is HK$70 million (30 June 2012 — HK$53 million).

## 3 Operating segment information (continued)

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

| | Revenue | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Company and Subsidiaries HK$ millions** | **Associates and JV HK$ millions** | **Total HK$ millions** | **%** | Company and Subsidiaries HK$ millions | Associates and JV HK$ millions | Total HK$ millions | % |
| Ports and related services | **13,182** | **3,709** | **16,891** | **9%** | 12,457 | 3,490 | 15,947 | 8% |
| Hutchison Ports Group other than HPH Trust | **13,119** | **2,410** | **15,529** | **8%** | 12,447 | 2,170 | 14,617 | 7% |
| HPH Trust # | **63** | **1,299** | **1,362** | **1%** | 10 | 1,320 | 1,330 | 1% |
| Property and hotels | **3,319** | **7,867** | **11,186** | **6%** | 3,038 | 6,173 | 9,211 | 5% |
| Retail | **61,973** | **13,788** | **75,761** | **38%** | 58,347 | 12,712 | 71,059 | 36% |
| Cheung Kong Infrastructure | **2,246** | **17,887** | **20,133** | **10%** | 2,094 | 16,900 | 18,994 | 10% |
| Husky Energy | **–** | **29,911** | **29,911** | **15%** | – | 29,768 | 29,768 | 15% |
| Hutchison Telecommunications Hong Kong Holdings | **6,149** | **–** | **6,149** | **3%** | 6,730 | – | 6,730 | 4% |
| Hutchison Asia Telecommunications | **2,981** | **–** | **2,981** | **1%** | 1,628 | – | 1,628 | 1% |
| **3** Group Europe | **30,098** | **3** | **30,101** | **15%** | 27,990 | – | 27,990 | 14% |
| Finance & Investments and others | **3,314** | **2,652** | **5,966** | **3%** | 3,442 | 2,576 | 6,018 | 3% |
| | **123,262** | **75,817** | **199,079** | **100%** | 115,726 | 71,619 | 187,345 | 96% |
| Reconciliation item @ | **–** | **–** | **–** | **–** | – | 7,648 | 7,648 | 4% |
| | **123,262** | **75,817** | **199,079** | **100%** | 115,726 | 79,267 | 194,993 | 100% |
| Non-controlling interests' share of HPH Trust's revenue | **–** | **413** | **413** | | – | 406 | 406 | |
| | **123,262** | **76,230** | **199,492** | | 115,726 | 79,673 | 195,399 | |

\# represents the Group's attributable share of HPH Trust's revenue based on the effective shareholdings in HPH Trust during 2013. Revenue reduced by HK$413 million and HK$406 million for the six months ended 30 June 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of revenue of HPH Trust.

@ the reconciliation item represents revenue of HTAL and its share of VHA for the first half of 2012 of HK$7,648 million.

## 3 Operating segment information (continued)

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

| | EBITDA (LBITDA) (m) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Company and Subsidiaries HK$ millions** | **Associates and JV HK$ millions** | **Total HK$ millions** | **%** | Company and Subsidiaries HK$ millions | Associates and JV HK$ millions | Total HK$ millions | % |
| Ports and related services | **3,653** | **1,757** | **5,410** | **12%** | 3,635 | 1,792 | 5,427 | 13% |
| Hutchison Ports Group other than HPH Trust | **3,594** | **1,118** | **4,712** | **10%** | 3,629 | 1,099 | 4,728 | 11% |
| HPH Trust # | **59** | **639** | **698** | **2%** | 6 | 693 | 699 | 2% |
| Property and hotels | **2,798** | **3,120** | **5,918** | **13%** | 2,081 | 2,885 | 4,966 | 12% |
| Retail | **4,491** | **1,118** | **5,609** | **12%** | 4,136 | 1,016 | 5,152 | 13% |
| Cheung Kong Infrastructure | **1,264** | **10,205** | **11,469** | **26%** | 932 | 9,149 | 10,081 | 25% |
| Husky Energy | **–** | **7,991** | **7,991** | **18%** | – | 7,212 | 7,212 | 18% |
| Hutchison Telecommunications Hong Kong Holdings | **1,480** | **29** | **1,509** | **3%** | 1,445 | 6 | 1,451 | 4% |
| Hutchison Asia Telecommunications | **(59)** | **–** | **(59)** | **–** | (47) | – | (47) | – |
| **3** Group Europe | **5,676** | **(15)** | **5,661** | **13%** | 4,104 | (5) | 4,099 | 10% |
| Finance & Investments and others | **863** | **568** | **1,431** | **3%** | 300 | 842 | 1,142 | 3% |
| | **20,166** | **24,773** | **44,939** | **100%** | 16,586 | 22,897 | 39,483 | 98% |
| Reconciliation item @ | **–** | **–** | **–** | **–** | (7) | 875 | 868 | 2% |
| EBITDA before property revaluation and profits on disposal of investments and others | **20,166** | **24,773** | **44,939** | **100%** | 16,579 | 23,772 | 40,351 | 100% |
| Profits on disposal of investments (see note 4) | **569** | **–** | **569** | | – | – | – | |
| Non-controlling interests' share of HPH Trust's EBITDA | **–** | **290** | **290** | | – | 277 | 277 | |
| **EBITDA** (see note 18(a)) | **20,735** | **25,063** | **45,798** | | 16,579 | 24,049 | 40,628 | |
| Less: Depreciation and amortisation | **(7,699)** | **(7,462)** | **(15,161)** | | (6,820) | (8,256) | (15,076) | |
| Add: One-time gains (o) | **–** | **–** | **–** | | 447 | – | 447 | |
| Change in fair value of investment properties | **7** | **27** | **34** | | – | 383 | 383 | |
| Others (see note 4) | **–** | **(685)** | **(685)** | | – | – | – | |
| Group's share of the following income statement items of associated companies and joint ventures: | | | | | | | | |
| Interest expenses and other finance costs | **–** | **(2,927)** | **(2,927)** | | – | (3,431) | (3,431) | |
| Current tax | **–** | **(3,298)** | **(3,298)** | | – | (2,472) | (2,472) | |
| Deferred tax | **–** | **(511)** | **(511)** | | – | (747) | (747) | |
| Non-controlling interests | **–** | **(158)** | **(158)** | | – | (153) | (153) | |
| | **13,043** | **10,049** | **23,092** | | 10,206 | 9,373 | 19,579 | |

\# represents the Group's attributable share of HPH Trust's EBITDA based on the effective shareholdings in HPH Trust during 2013. EBITDA reduced by HK$290 million and HK$277 million for the six months ended 30 June 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of EBITDA of HPH Trust.

@ the reconciliation item represents EBITDA of HTAL and its share of VHA for the first half of 2012 of HK$868 million.

## 3 Operating segment information (continued)

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

| | EBIT (LBIT) [n] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Company and Subsidiaries HK$ millions** | **Associates and JV HK$ millions** | **Total HK$ millions** | **%** | Company and Subsidiaries HK$ millions | Associates and JV HK$ millions | Total HK$ millions | % |
| Ports and related services | **2,327** | **1,122** | **3,449** | **12%** | 2,452 | 1,195 | 3,647 | 14% |
| Hutchison Ports Group other than HPH Trust | **2,268** | **781** | **3,049** | **10%** | 2,446 | 789 | 3,235 | 12% |
| HPH Trust # | **59** | **341** | **400** | **2%** | 6 | 406 | 412 | 2% |
| Property and hotels | **2,682** | **3,060** | **5,742** | **19%** | 1,956 | 2,824 | 4,780 | 19% |
| Retail | **3,474** | **845** | **4,319** | **14%** | 3,183 | 769 | 3,952 | 15% |
| Cheung Kong Infrastructure | **1,167** | **7,773** | **8,940** | **30%** | 871 | 6,992 | 7,863 | 30% |
| Husky Energy | **–** | **4,152** | **4,152** | **14%** | – | 3,725 | 3,725 | 14% |
| Hutchison Telecommunications Hong Kong Holdings | **829** | **5** | **834** | **3%** | 800 | 1 | 801 | 3% |
| Hutchison Asia Telecommunications | **(697)** | **–** | **(697)** | **-2%** | (675) | – | (675) | -2% |
| **3** Group Europe [o] | | | | | | | | |
| EBITDA before the following non-cash items: | **5,676** | **(15)** | **5,661** | | 4,104 | (5) | 4,099 | |
| Depreciation | **(3,370)** | **–** | **(3,370)** | | (3,075) | – | (3,075) | |
| Amortisation of licence fees and other rights | **(437)** | **–** | **(437)** | | (100) | – | (100) | |
| One-time gains [o] | **–** | **–** | **–** | | 447 | – | 447 | |
| EBIT (LBIT) – **3** Group Europe [o] | **1,869** | **(15)** | **1,854** | **6%** | 1,376 | (5) | 1,371 | 5% |
| Finance & Investments and others | **816** | **479** | **1,295** | **4%** | 250 | 684 | 934 | 4% |
| | **12,467** | **17,421** | **29,888** | **100%** | 10,213 | 16,185 | 26,398 | 102% |
| Reconciliation item @ | **–** | **–** | **–** | **–** | (7) | (560) | (567) | -2% |
| EBIT before property revaluation and profits on disposal of investments and others | **12,467** | **17,421** | **29,888** | **100%** | 10,206 | 15,625 | 25,831 | 100% |
| Change in fair value of investment properties | **7** | **27** | **34** | | – | 383 | 383 | |
| **EBIT** | **12,474** | **17,448** | **29,922** | | 10,206 | 16,008 | 26,214 | |
| Profits on disposal of investments and others (see note 4) | **569** | **(685)** | **(116)** | | – | – | – | |
| Non-controlling interests' share of HPH Trust's EBIT | **–** | **180** | **180** | | – | 168 | 168 | |
| Group's share of the following income statement items of associated companies and joint ventures: | | | | | | | | |
| Interest expenses and other finance costs | **–** | **(2,927)** | **(2,927)** | | – | (3,431) | (3,431) | |
| Current tax | **–** | **(3,298)** | **(3,298)** | | – | (2,472) | (2,472) | |
| Deferred tax | **–** | **(511)** | **(511)** | | – | (747) | (747) | |
| Non-controlling interests | **–** | **(158)** | **(158)** | | – | (153) | (153) | |
| | **13,043** | **10,049** | **23,092** | | 10,206 | 9,373 | 19,579 | |

\# represents the Group's attributable share of HPH Trust's EBIT based on the effective shareholdings in HPH Trust during 2013. EBIT reduced by HK$180 million and HK$168 million for the six months ended 30 June 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of EBIT of HPH Trust.

@ the reconciliation item represents LBIT of HTAL and its share of VHA for the first half of 2012 of HK$567 million.

## 3 Operating segment information (continued)

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

| | Depreciation and amortisation | | | | | |
|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | Six months ended 30 June 2012 | | |
| | **Company and Subsidiaries HK$ millions** | **Associates and JV HK$ millions** | **Total HK$ millions** | Company and Subsidiaries HK$ millions | Associates and JV HK$ millions | Total HK$ millions |
| Ports and related services | **1,326** | **635** | **1,961** | 1,183 | 597 | 1,780 |
| Hutchison Ports Group other than HPH Trust | **1,326** | **337** | **1,663** | 1,183 | 310 | 1,493 |
| HPH Trust # | **–** | **298** | **298** | – | 287 | 287 |
| Property and hotels | **116** | **60** | **176** | 125 | 61 | 186 |
| Retail | **1,017** | **273** | **1,290** | 953 | 247 | 1,200 |
| Cheung Kong Infrastructure | **97** | **2,432** | **2,529** | 61 | 2,157 | 2,218 |
| Husky Energy | **–** | **3,839** | **3,839** | – | 3,487 | 3,487 |
| Hutchison Telecommunications Hong Kong Holdings | **651** | **24** | **675** | 645 | 5 | 650 |
| Hutchison Asia Telecommunications | **638** | **–** | **638** | 628 | – | 628 |
| **3** Group Europe | **3,807** | **–** | **3,807** | 3,175 | – | 3,175 |
| Finance & Investments and others | **47** | **89** | **136** | 50 | 158 | 208 |
| | **7,699** | **7,352** | **15,051** | 6,820 | 6,712 | 13,532 |
| Reconciliation item @ | **–** | **–** | **–** | – | 1,435 | 1,435 |
| | **7,699** | **7,352** | **15,051** | 6,820 | 8,147 | 14,967 |
| Non-controlling interests' share of HPH Trust's depreciation and amortisation | **–** | **110** | **110** | – | 109 | 109 |
| | **7,699** | **7,462** | **15,161** | 6,820 | 8,256 | 15,076 |

# represents the Group's attributable share of HPH Trust's depreciation and amortisation based on the effective shareholdings in HPH Trust during 2013. Depreciation and amortisation reduced by HK$110 million and HK$109 million for the six months ended 30 June 2013 and 2012 respectively, being adjustments to exclude non-controlling interests' share of depreciation and amortisation of HPH Trust.

@ the reconciliation item represents depreciation and amortisation of HTAL and its share of VHA for the first half of 2012 of HK$1,435 million.

## 3 Operating segment information (continued)

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

| | Capital expenditure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Fixed assets, investment properties and leasehold land** | **Telecommunications licences** | **Brand names and other rights** | **Total** | Fixed assets, investment properties and leasehold land | Telecommunications licences | Brand names and other rights | Total |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | HK$ millions |
| Ports and related services | **1,799** | **–** | **1** | **1,800** | 1,943 | – | – | 1,943 |
| Hutchison Ports Group other than HPH Trust | **1,799** | **–** | **1** | **1,800** | 1,943 | – | – | 1,943 |
| HPH Trust | **–** | **–** | **–** | **–** | – | – | – | – |
| Property and hotels | **247** | **–** | **–** | **247** | 66 | – | – | 66 |
| Retail | **804** | **–** | **–** | **804** | 745 | – | – | 745 |
| Cheung Kong Infrastructure | **173** | **–** | **–** | **173** | 385 | – | – | 385 |
| Husky Energy | **–** | **–** | **–** | **–** | – | – | – | – |
| Hutchison Telecommunications Hong Kong Holdings | **562** | **2** | **16** | **580** | 567 | 150 | 4 | 721 |
| Hutchison Asia Telecommunications | **608** | **–** | **–** | **608** | 1,138 | 1 | 49 | 1,188 |
| **3** Group Europe [p] | **4,154** | **2,674** | **13** | **6,841** | 5,446 | 1,443 | 11 | 6,900 |
| Finance & Investments and others | **14** | **–** | **–** | **14** | 13 | – | – | 13 |
| | **8,361** | **2,676** | **30** | **11,067** | 10,303 | 1,594 | 64 | 11,961 |

(f) The following is an analysis of the Group's total assets by operating segments:

| | Total assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **30 June 2013** | | | | 31 December 2012 | | | |
| | **Company and Subsidiaries** | | | | Company and Subsidiaries | | | |
| | **Segment assets [q]** | **Deferred tax assets** | **Investments in associated companies and interests in joint ventures** | **Total assets** | Segment assets [q] | Deferred tax assets | Investments in associated companies and interests in joint ventures | Total assets |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | HK$ millions |
| Ports and related services | **65,686** | **189** | **27,682** | **93,557** | 66,021 | 165 | 27,936 | 94,122 |
| Hutchison Ports Group other than HPH Trust | **65,686** | **189** | **13,489** | **79,364** | 66,021 | 165 | 13,332 | 79,518 |
| HPH Trust | **–** | **–** | **14,193** | **14,193** | – | – | 14,604 | 14,604 |
| Property and hotels | **51,279** | **21** | **41,087** | **92,387** | 51,344 | 40 | 41,379 | 92,763 |
| Retail | **49,433** | **630** | **6,392** | **56,455** | 50,297 | 545 | 6,444 | 57,286 |
| Cheung Kong Infrastructure | **19,833** | **21** | **75,296** | **95,150** | 17,406 | 22 | 77,111 | 94,539 |
| Husky Energy | **–** | **–** | **52,516** | **52,516** | – | – | 54,023 | 54,023 |
| Hutchison Telecommunications Hong Kong Holdings | **19,390** | **369** | **619** | **20,378** | 19,296 | 369 | 484 | 20,149 |
| Hutchison Asia Telecommunications | **22,340** | **1** | **–** | **22,341** | 21,387 | 1 | – | 21,388 |
| **3** Group Europe [r] | **220,090** | **16,607** | **12** | **236,709** | 208,310 | 16,850 | 9 | 225,169 |
| Finance & Investments and others | **112,549** | **14** | **2,860** | **115,423** | 129,473 | 32 | 2,865 | 132,370 |
| | **560,600** | **17,852** | **206,464** | **784,916** | 563,534 | 18,024 | 210,251 | 791,809 |
| Reconciliation item @ | **71** | **22** | **4,200** | **4,293** | 23 | 35 | 12,004 | 12,062 |
| | **560,671** | **17,874** | **210,664** | **789,209** | 563,557 | 18,059 | 222,255 | 803,871 |

@ the reconciliation item comprises total assets of HTAL.

## 3 Operating segment information (continued)

(g) The following is an analysis of the Group's total liabilities by operating segments:

| | **Total liabilities** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **30 June 2013** | | | | 31 December 2012 | | | |
| | **Segment liabilities (s)** | **Current & non-current borrowings (t) and other non-current liabilities** | **Current & deferred tax liabilities** | **Total liabilities** | Segment liabilities (s) | Current & non-current borrowings (t) and other non-current liabilities | Current & deferred tax liabilities | Total liabilities |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | HK$ millions |
| Ports and related services | **14,936** | **27,794** | **4,855** | **47,585** | 16,158 | 27,945 | 5,038 | 49,141 |
| Hutchison Ports Group other than HPH Trust | **14,936** | **27,794** | **4,855** | **47,585** | 16,158 | 27,945 | 5,038 | 49,141 |
| HPH Trust | **–** | **–** | **–** | **–** | – | – | – | – |
| Property and hotels | **2,796** | **454** | **2,621** | **5,871** | 2,384 | 450 | 2,364 | 5,198 |
| Retail | **24,036** | **6,182** | **883** | **31,101** | 25,775 | 6,307 | 1,231 | 33,313 |
| Cheung Kong Infrastructure | **3,666** | **11,041** | **1,419** | **16,126** | 3,453 | 11,599 | 1,010 | 16,062 |
| Husky Energy | **–** | **–** | **–** | **–** | – | – | – | – |
| Hutchison Telecommunications Hong Kong Holdings | **4,318** | **5,286** | **328** | **9,932** | 4,820 | 4,691 | 289 | 9,800 |
| Hutchison Asia Telecommunications | **3,075** | **1,903** | **2** | **4,980** | 2,953 | 2,142 | 2 | 5,097 |
| **3** Group Europe | **24,283** | **99,928** | **930** | **125,141** | 20,979 | 128,645 | 213 | 149,837 |
| Finance & Investments and others | **4,984** | **92,115** | **2,504** | **99,603** | 5,382 | 89,640 | 1,677 | 96,699 |
| | **82,094** | **244,703** | **13,542** | **340,339** | 81,904 | 271,419 | 11,824 | 365,147 |
| Reconciliation item @ | **160** | **–** | **–** | **160** | 183 | – | – | 183 |
| | **82,254** | **244,703** | **13,542** | **340,499** | 82,087 | 271,419 | 11,824 | 365,330 |

@ the reconciliation item comprises total liabilities of HTAL.

*Additional information in respect of geographical locations*

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

| | **Revenue** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Company and Subsidiaries** | **Associates and JV** | **Total** | | Company and Subsidiaries | Associates and JV | Total | |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | **%** | HK$ millions | HK$ millions | HK$ millions | % |
| Hong Kong | **26,429** | **4,246** | **30,675** | **15%** | 25,487 | 5,088 | 30,575 | 16% |
| Mainland China | **13,050** | **9,267** | **22,317** | **11%** | 11,799 | 8,628 | 20,427 | 10% |
| Europe | **61,882** | **23,255** | **85,137** | **43%** | 59,192 | 20,390 | 79,582 | 41% |
| Canada (u) | **49** | **29,983** | **30,032** | **15%** | 57 | 29,717 | 29,774 | 15% |
| Asia, Australia and others | **18,538** | **6,414** | **24,952** | **13%** | 15,749 | 12,868 | 28,617 | 15% |
| Finance & Investments and others | **3,314** | **2,652** | **5,966** | **3%** | 3,442 | 2,576 | 6,018 | 3% |
| | **123,262** | **75,817** | **199,079 (1)** | **100%** | 115,726 | 79,267 | 194,993 (1) | 100% |

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

## 3 Operating segment information (continued)

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

| | EBITDA [(m)] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Company and Subsidiaries HK$ millions** | **Associates and JV HK$ millions** | **Total HK$ millions** | **%** | Company and Subsidiaries HK$ millions | Associates and JV HK$ millions | Total HK$ millions | % |
| Hong Kong | **4,470** | **2,187** | **6,657** | **15%** | 3,428 | 2,282 | 5,710 | 14% |
| Mainland China | **2,061** | **4,009** | **6,070** | **13%** | 2,087 | 4,286 | 6,373 | 16% |
| Europe | **8,388** | **7,398** | **15,786** | **35%** | 6,884 | 6,234 | 13,118 | 32% |
| Canada [(u)] | **36** | **7,878** | **7,914** | **18%** | 58 | 7,055 | 7,113 | 18% |
| Asia, Australia and others | **4,348** | **2,733** | **7,081** | **16%** | 3,822 | 3,073 | 6,895 | 17% |
| Finance & Investments and others | **863** | **568** | **1,431** | **3%** | 300 | 842 | 1,142 | 3% |
| EBITDA before property revaluation and profits on disposal of investments and others | **20,166** | **24,773** | **44,939** [(2)] | **100%** | 16,579 | 23,772 | 40,351 [(2)] | 100% |

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

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

| | EBIT [(n)] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Company and Subsidiaries HK$ millions** | **Associates and JV HK$ millions** | **Total HK$ millions** | **%** | Company and Subsidiaries HK$ millions | Associates and JV HK$ millions | Total HK$ millions | % |
| Hong Kong | **3,540** | **1,440** | **4,980** | **17%** | 2,521 | 1,580 | 4,101 | 16% |
| Mainland China | **1,769** | **3,507** | **5,276** | **18%** | 1,835 | 3,821 | 5,656 | 22% |
| Europe | **3,566** | **5,943** | **9,509** | **31%** | 3,190 | 5,018 | 8,208 | 31% |
| Canada [(u)] | **36** | **4,047** | **4,083** | **14%** | 58 | 3,566 | 3,624 | 14% |
| Asia, Australia and others | **2,740** | **2,005** | **4,745** | **16%** | 2,352 | 956 | 3,308 | 13% |
| Finance & Investments and others | **816** | **479** | **1,295** | **4%** | 250 | 684 | 934 | 4% |
| EBIT before property revaluation and profits on disposal of investments and others | **12,467** | **17,421** | **29,888** | **100%** | 10,206 | 15,625 | 25,831 | 100% |
| Change in fair value of investment properties | **7** | **27** | **34** | | – | 383 | 383 | |
| EBIT | **12,474** | **17,448** | **29,922** [(3)] | | 10,206 | 16,008 | 26,214 [(3)] | |

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

## 3 Operating segment information (continued)

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

| | Capital expenditure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2013** | | | | Six months ended 30 June 2012 | | | |
| | **Fixed assets, investment properties and leasehold land** | **Telecommunications licences** | **Brand names and other rights** | **Total** | Fixed assets, investment properties and leasehold land | Telecommunications licences | Brand names and other rights | Total |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | HK$ millions |
| Hong Kong | **942** | **2** | **7** | **951** | 760 | 150 | 4 | 914 |
| Mainland China | **476** | **–** | **–** | **476** | 770 | – | – | 770 |
| Europe | **4,936** | **2,674** | **13** | **7,623** | 6,406 | 1,443 | 11 | 7,860 |
| Canada | **–** | **–** | **–** | **–** | – | – | – | – |
| Asia, Australia and others | **1,993** | **–** | **10** | **2,003** | 2,354 | 1 | 49 | 2,404 |
| Finance & Investments and others | **14** | **–** | **–** | **14** | 13 | – | – | 13 |
| | **8,361** | **2,676** | **30** | **11,067** | 10,303 | 1,594 | 64 | 11,961 |

(l) Additional disclosures of the Group's total assets by geographical location are shown below:

| | Total assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **30 June 2013** | | | | 31 December 2012 | | | |
| | **Company and Subsidiaries** | | | | Company and Subsidiaries | | | |
| | **Segment assets [q]** | **Deferred tax assets** | **Investments in associated companies and interests in joint ventures** | **Total assets** | Segment assets [q] | Deferred tax assets | Investments in associated companies and interests in joint ventures | Total assets |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions | HK$ millions | HK$ millions | HK$ millions |
| Hong Kong | **75,710** | **418** | **30,918** | **107,046** | 75,669 | 434 | 28,241 | 104,344 |
| Mainland China | **12,342** | **412** | **63,938** | **76,692** | 11,815 | 346 | 64,041 | 76,202 |
| Europe | **289,137** | **16,789** | **45,655** | **351,581** | 278,263 | 16,969 | 48,167 | 343,399 |
| Canada [u] | **456** | **–** | **48,122** | **48,578** | 410 | – | 50,325 | 50,735 |
| Asia, Australia and others | **70,477** | **241** | **19,171** | **89,889** | 67,927 | 278 | 28,616 | 96,821 |
| Finance & Investments and others | **112,549** | **14** | **2,860** | **115,423** | 129,473 | 32 | 2,865 | 132,370 |
| | **560,671** | **17,874** | **210,664** | **789,209** | 563,557 | 18,059 | 222,255 | 803,871 |

(m) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBITDA for these operations. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation, and includes profits on disposal of investments and other earnings of a cash nature but excludes change in fair value of investment properties. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

## 3 Operating segment information (continued)

(n) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and joint ventures except for HPH Trust which are included based on the Group's effective share of EBIT for these operations. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

(o) Included in comparable EBIT (LBIT) of **3** Group Europe for the six months ended 30 June 2012 is a one-time net gain of HK$447 million from a network sharing arrangement, which includes a benefit of HK$2,032 million from future cost savings arising from a right to share another Irish operator's mobile network, partially offset by a HK$1,585 million one-time provision mainly related to the restructuring of **3** Ireland's network infrastructure.

(p) Included in capital expenditures of **3** Group Europe for the six months ended 30 June 2013 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 30 June 2013 which has an effect of decreasing total expenditures by HK$263 million (30 June 2012 – HK$171 million).

(q) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. As additional information, non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Europe, Canada, and Asia, Australia and others amounted to HK$98,361 million (31 December 2012 - HK$95,803 million), HK$73,871 million (31 December 2012 - HK$73,676 million), HK$278,057 million (31 December 2012 - HK$270,566 million), HK$48,163 million (31 December 2012 - HK$50,366 million) and HK$66,455 million (31 December 2012 - HK$73,054 million) respectively.

(r) Included in total assets of **3** Group Europe is an unrealised foreign currency exchange loss arising on 30 June 2013 of HK$4,513 million (31 December 2012 – gain of HK$3,055 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

(s) Segment liabilities comprise trade and other payables and pension obligations.

(t) Current and non-current borrowings comprise bank and other debts and interest bearing loans from non-controlling shareholders.

(u) Include contribution from the United States of America for Husky Energy.

## 4 Profits on disposal of investments and others

| | Attributable to | | | |
|---|---|---|---|---|
| | **Ordinary shareholders of the Company HK$ millions** | **Holders of perpetual capital securities HK$ millions** | **Non-controlling interests HK$ millions** | **Total HK$ millions** |
| **Six months ended 30 June 2013** | | | | |
| Profits on disposal of investments [a] | **569** | **–** | **–** | **569** |
| Others | | | | |
| HTAL – share of operating losses of joint venture VHA [b] | **(602)** | **–** | **(83)** | **(685)** |
| | **(33)** | **–** | **(83)** | **(116)** |
| Six months ended 30 June 2012 | – | – | – | – |

(a) During the six months ended 30 June 2013, the Group has recognised a one-time net gain, before tax, of HK$569 million, arising from the disposal of certain non-core telecommunications assets in Austria of HK$2,648 million, upon completion of the acquisition of Orange Austria, net with one-time costs of HK$2,079 million mainly relating to the restructuring of **3** Austria's business on the acquisition of Orange Austria.

(b) VHA is undergoing a shareholder-sponsored restructuring under the leadership of the other shareholder under the applicable terms of the shareholders' agreement. In order to assist in providing a meaningful analysis of the ongoing operating activities, HTAL's share of VHA's results for the six months ended 30 June 2013 is presented as a separate item above to separately identify it from the recurring earnings profile during this phase.

## 5 Interest expenses and other finance costs

| | Six months ended 30 June | |
|---|---|---|
| | **2013 HK$ millions** | 2012 HK$ millions |
| Interest on borrowings | **3,971** | 4,074 |
| Amortisation of loan facilities fees and premiums or discounts relating to borrowings | **128** | 150 |
| Notional non-cash interest accretion | **170** | 242 |
| Other finance costs | **138** | 30 |
| | **4,407** | 4,496 |
| Less: interest capitalised | **(72)** | (51) |
| | **4,335** | 4,445 |

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

## 6 Tax

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$ millions** | HK$ millions |
| Current tax | | |
| Hong Kong | **259** | 128 |
| Outside Hong Kong | **1,666** | 928 |
| | **1,925** | 1,056 |
| Deferred tax | | |
| Hong Kong | **98** | 112 |
| Outside Hong Kong | **798** | 836 |
| | **896** | 948 |
| | **2,821** | 2,004 |

Hong Kong profits tax has been provided for at the rate of 16.5% (30 June 2012 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses.

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

The calculation of earnings per share is based on profit attributable to ordinary shareholders of the Company HK$12,398 million (30 June 2012 – HK$10,092 million) and on 4,263,370,780 shares in issue during the first half of 2013 (30 June 2012 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 30 June 2013. The employee share options of these subsidiary and associated companies outstanding as at 30 June 2013 did not have a dilutive effect on earnings per share.

## 8 Fixed assets

During the period, the Group acquired fixed assets with a cost of HK$8,113 million (30 June 2012 - HK$10,157 million). Fixed assets with a net book value of HK$155 million (30 June 2012 - HK$198 million) were disposed of during the period, resulting in a gain on disposal of HK$64 million (30 June 2012 - HK$134 million).

## 9 Deferred tax

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Deferred tax assets | **17,874** | 18,059 |
| Deferred tax liabilities | **10,682** | 8,968 |
| Net deferred tax assets | **7,192** | 9,091 |
| Analysis of net deferred tax assets (liabilities): | | |
| Unused tax losses | **18,673** | 19,425 |
| Accelerated depreciation allowances | **(5,428)** | (5,120) |
| Fair value adjustments arising from acquisitions | **(3,889)** | (3,551) |
| Revaluation of investment properties and other investments | **(256)** | (260) |
| Withholding tax on undistributed earnings | **(267)** | (258) |
| Other temporary differences | **(1,641)** | (1,145) |
| | **7,192** | 9,091 |

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

At 30 June 2013, the Group has recognised accumulated deferred tax assets amounting to HK$17,874 million (31 December 2012 - HK$18,059 million) of which HK$16,607 million (31 December 2012 - HK$16,850 million) relates to 3 Group Europe.

The Group has not recognised deferred tax assets of HK$28,503 million at 30 June 2013 (31 December 2012 - HK$25,398 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling HK$123,354 million (31 December 2012 - HK$112,174 million).

## 10 Other non-current assets

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Other unlisted investments | | |
| Loans and receivables | | |
| Unlisted debt securities | **379** | 391 |
| Other receivables | **3,861** | 3,887 |
| | **4,240** | 4,278 |
| Available-for-sale investments | | |
| Unlisted equity securities | **902** | 930 |
| Fair value hedges | | |
| Interest rate swaps | **1,941** | 2,844 |
| Cross currency interest rate swaps | **892** | 1,527 |
| Cash flow hedges | | |
| Interest rate swaps | **16** | – |
| Forward foreign exchange contracts | **314** | – |
| | **8,305** | 9,579 |

## 11 Liquid funds and other listed investments

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Available-for-sale investments | | |
| Managed funds, outside Hong Kong | **4,527** | 10,541 |
| Listed / traded debt securities, outside Hong Kong | **3,839** | 3,834 |
| Listed equity securities, Hong Kong | **2,204** | 2,165 |
| Listed equity securities, outside Hong Kong | **6,137** | 6,498 |
| | **16,707** | 23,038 |
| Loans and receivables | | |
| Long term deposits | **35** | 39 |
| Financial assets at fair value through profit or loss | **422** | 422 |
| | **17,164** | 23,499 |

Components of Managed funds, outside Hong Kong are as follows:

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Listed debt securities | **4,477** | 10,486 |
| Cash and cash equivalents | **50** | 55 |
| | **4,527** | 10,541 |

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

## 12 Cash and cash equivalents

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Cash at bank and in hand | **42,378** | 25,697 |
| Short term bank deposits | **54,718** | 82,251 |
| | **97,096** | 107,948 |

## 13 Trade and other receivables

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Trade receivables | **23,884** | 23,953 |
| Less: provision for estimated impairment losses for bad debts | **(4,246)** | (4,307) |
| Trade receivables — net | **19,638** | 19,646 |
| Other receivables and prepayments | **44,123** | 41,979 |
| Fair value hedges | | |
| Interest rate swaps | **33** | 116 |
| Cross currency interest rate swaps | **196** | — |
| Cash flow hedges | | |
| Forward foreign exchange contracts | **465** | 47 |
| | **64,455** | 61,788 |

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

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

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Less than 31 days | **13,329** | 13,089 |
| Within 31 to 60 days | **1,507** | 1,689 |
| Within 61 to 90 days | **890** | 795 |
| Over 90 days | **8,158** | 8,380 |
| | **23,884** | 23,953 |

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

## 14 Trade and other payables

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Trade payables | **20,587** | 20,742 |
| Other payables and accruals | **55,915** | 55,932 |
| Provisions | **1,006** | 1,120 |
| Interest free loans from non-controlling shareholders | **1,156** | 476 |
| Cash flow hedges | | |
| Forward foreign exchange contracts | **75** | 201 |
| | **78,739** | 78,471 |

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

| | 30 June 2013 HK$ millions | 31 December 2012 HK$ millions |
|---|---|---|
| Less than 31 days | **13,830** | 13,842 |
| Within 31 to 60 days | **3,167** | 3,196 |
| Within 61 to 90 days | **1,521** | 1,457 |
| Over 90 days | **2,069** | 2,247 |
| | **20,587** | 20,742 |

## 15 Bank and other debts

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

| | 30 June 2013 | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | Current portion HK$ millions | Non-current portion HK$ millions | Total HK$ millions | Current portion HK$ millions | Non-current portion HK$ millions | Total HK$ millions |
| Bank loans | 1,529 | 64,526 | 66,055 | 4,892 | 60,083 | 64,975 |
| Other loans | 79 | 653 | 732 | 124 | 411 | 535 |
| Notes and bonds | 20,366 | 144,804 | 165,170 | 34,487 | 156,155 | 190,642 |
| Total principal amount of bank and other debts | 21,974 | 209,983 | 231,957 | 39,503 | 216,649 | 256,152 |
| Unamortised loan facilities fees and premiums or discounts related to debts | (68) | (670) | (738) | (23) | (580) | (603) |
| Unrealised gain on bank and other debts pursuant to interest rate swap contracts | 229 | 2,628 | 2,857 | 116 | 4,371 | 4,487 |
| | 22,135 | 211,941 | 234,076 | 39,596 | 220,440 | 260,036 |

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

| | 30 June 2013 | | | |
|---|---|---|---|---|
| | Bank loans HK$ millions | Other loans HK$ millions | Notes and bonds HK$ millions | Total HK$ millions |
| 2013, remainder of year | 836 | 29 | 10,160 | 11,025 |
| 2014 | 7,026 | 80 | 10,206 | 17,312 |
| 2015 | 42,733 | 279 | 27,076 | 70,088 |
| 2016 | 5,522 | 52 | 24,578 | 30,152 |
| 2017 | 6,367 | 38 | 33,547 | 39,952 |
| 2018 to 2022 | 3,571 | 135 | 42,863 | 46,569 |
| 2023 to 2032 | – | 66 | 7,618 | 7,684 |
| 2033 and thereafter | – | 53 | 9,122 | 9,175 |
| | 66,055 | 732 | 165,170 | 231,957 |
| Less: current portion | (1,529) | (79) | (20,366) | (21,974) |
| | 64,526 | 653 | 144,804 | 209,983 |

## 15 Bank and other debts (continued)

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Bank loans HK$ millions | Other loans HK$ millions | Notes and bonds HK$ millions | Total HK$ millions |
| 2013 | 4,892 | 124 | 34,487 | 39,503 |
| 2014 | 6,943 | 60 | 10,206 | 17,209 |
| 2015 | 42,630 | 50 | 27,336 | 70,016 |
| 2016 | 3,013 | 34 | 24,747 | 27,794 |
| 2017 | 6,948 | 35 | 33,711 | 40,694 |
| 2018 to 2022 | 549 | 116 | 42,965 | 43,630 |
| 2023 to 2032 | – | 65 | 8,068 | 8,133 |
| 2033 and thereafter | – | 51 | 9,122 | 9,173 |
| | 64,975 | 535 | 190,642 | 256,152 |
| Less: current portion | (4,892) | (124) | (34,487) | (39,503) |
| | 60,083 | 411 | 156,155 | 216,649 |

## 16 Other non-current liabilities

| | **30 June 2013 HK$ millions** | 31 December 2012 HK$ millions |
|---|---|---|
| Fair value hedges | | |
| Interest rate swaps | **205** | – |
| Cash flow hedges | | |
| Interest rate swaps | **174** | 249 |
| Forward foreign exchange contracts | **–** | 238 |
| Obligations for telecommunications licences and other rights | **3,662** | 3,870 |
| Provisions | **1,014** | 719 |
| | **5,055** | 5,076 |

## 17 Share capital and dividends

### (a) Share capital

| | **30 June 2013 Number of shares** | 31 December 2012 Number of shares | **30 June 2013 HK$ millions** | 31 December 2012 HK$ millions |
|---|---|---|---|---|
| Authorised: | | | | |
| Ordinary shares of HK$0.25 each | **5,500,000,000** | 5,500,000,000 | **1,375** | 1,375 |
| 7-½% cumulative redeemable participating preference shares of HK$1 each | **402,717,856** | 402,717,856 | **403** | 403 |
| | | | **1,778** | 1,778 |
| Issued and fully paid: | | | | |
| Ordinary shares | **4,263,370,780** | 4,263,370,780 | **1,066** | 1,066 |

### (b) Perpetual capital securities

During the six months ended 30 June 2013, the Group had repurchased US$185 million (approximately HK$1,446 million) nominal amount of subordinated guaranteed perpetual capital securities that were originally issued in October 2010 at an aggregate nominal amount of US$2,000 million (approximately HK$15,600 million).

In May 2013, a wholly owned subsidiary company of the Group issued subordinated guaranteed perpetual capital securities with a nominal amount of €1,750 million (approximately HK$17,879 million) for cash. These securities are perpetual, subordinated and the coupon payment is optional in nature. Therefore, perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

### (c) Distribution paid on perpetual capital securities

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013 HK$ millions** | 2012 HK$ millions |
| Distribution paid on perpetual capital securities | **689** | 468 |

### (d) Dividends

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013 HK$ millions** | 2012 HK$ millions |
| Interim dividend | **2,558** | 2,345 |
| Interim dividend per share | **HK$ 0.60** | HK$ 0.55 |

In addition, final dividend in respect of the 2012 year of HK$1.53 per share (2011 — HK$1.53 per share) totalling HK$6,523 million (2011 — HK$6,523 million) was approved and paid during the current period.

## 18 Notes to condensed consolidated statement of cash flows

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$ millions** | HK$ millions |
| **Profit after tax** | **15,936** | 13,130 |
| Less: share of profits less losses after tax of | | |
| Associated companies | **(7,573)** | (7,254) |
| Joint ventures | **(3,161)** | (2,119) |
| | **5,202** | 3,757 |
| Adjustments for: | | |
| Current tax charge | **1,925** | 1,056 |
| Deferred tax charge | **896** | 948 |
| Interest expenses and other finance costs | **4,335** | 4,445 |
| Change in fair value of investment properties | **(7)** | – |
| Depreciation and amortisation | **7,699** | 6,820 |
| Others (see note 4) | **685** | – |
| Non-cash items (see note 3(o)) | **–** | (447) |
| **EBITDA of Company and subsidiaries** (i) | **20,735** | 16,579 |
| Profit on disposal of other unlisted investments | **–** | (67) |
| Profit on disposal of fixed assets, leasehold land, investment properties and other assets | **(2,921)** | (135) |
| Dividends received from associated companies and joint ventures | **8,867** | 3,995 |
| Distribution from property joint ventures | **1,747** | 276 |
| Profit on disposal of subsidiary and associated companies and joint ventures | **(411)** | (203) |
| Other non-cash items | **1,015** | (360) |
| | **29,032** | 20,085 |

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

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

(i) Reconciliation of EBITDA:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$ millions** | HK$ millions |
| EBITDA of Company and subsidiaries | **20,735** | 16,579 |
| Share of EBITDA of associated companies and joint ventures | | |
| Share of profits less losses after tax: | | |
| Associated companies | **7,573** | 7,254 |
| Joint ventures | **3,161** | 2,119 |
| Adjustment for: | | |
| Depreciation and amortisation | **7,462** | 8,256 |
| Change in fair value of investment properties | **(27)** | (383) |
| Interest expenses and other finance costs | **2,927** | 3,431 |
| Current tax charge | **3,298** | 2,472 |
| Deferred tax charge | **511** | 747 |
| Non-controlling interests | **158** | 153 |
| | **25,063** | 24,049 |
| EBITDA (see notes 3(b) and 3(m)) | **45,798** | 40,628 |

### (b) Changes in working capital

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$ millions** | HK$ millions |
| Increase in inventories | **(33)** | (701) |
| Decrease (increase) in debtors and prepayments | **(1,362)** | 1,784 |
| Decrease in creditors | **(2,052)** | (3,804) |
| Other non-cash items | **(2,042)** | (701) |
| | **(5,489)** | (3,422) |

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

### (c) Purchase of subsidiary companies

As disclosed in the 2012 annual accounts, on 4 January 2013, **3** Austria, a wholly owned subsidiary of the Group announced that it has completed its acquisition of 100% interest of Orange Austria, following the approval of all of the relevant Austrian and European authorities. As a result of the acquisition, the Group has increased its market share of the Austrian mobile telecommunications services. The Group expects synergies and other benefits from combining the infrastructure and operations of Orange Austria with **3** Austria, and costs savings through economies of scale.

The following table summarises the consideration paid for Orange Austria and other acquisitions completed in the current period, and the amounts of the assets acquired and liabilities assumed recognised at the respective acquisition date.

| | | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | | | **2013** | 2012 |
| | **Orange Austria** | **Others** | **Total** | Total |
| | **HK$ millions** | **HK$ millions** | **HK$ millions** | HK$ millions |
| Fair Value | | | | |
| Fixed assets | **1,028** | **625** | **1,653** | – |
| Telecommunications licences | **440** | **–** | **440** | – |
| Brand names and other rights | **2,512** | **1,785** | **4,297** | – |
| Interests in joint ventures | **–** | **163** | **163** | – |
| Deferred tax assets | **259** | **–** | **259** | – |
| Other non-current assets | **–** | **6** | **6** | – |
| Trade and other receivables | **805** | **168** | **973** | – |
| Inventories | **975** | **5** | **980** | – |
| Creditors and current tax liabilities | **(1,420)** | **(185)** | **(1,605)** | – |
| Bank and other debts | **(231)** | **(77)** | **(308)** | – |
| Deferred tax liabilities | **–** | **(489)** | **(489)** | – |
| Other non-current liabilities | **(292)** | **–** | **(292)** | – |
| Non controlling interests | **–** | **(2)** | **(2)** | – |
| | **4,076** | **1,999** | **6,075** | – |
| Goodwill arising on acquisition | **10,211** | **1,213** | **11,424** | – |
| Discharged by cash payment | **14,287** | **3,212** | **17,499** | – |
| Net cash outflow (inflow) arising from acquisition: | | | | |
| Cash payment | **15,801** | **3,217** | **19,018** | – |
| Cash and cash equivalents acquired | **(1,514)** | **(5)** | **(1,519)** | – |
| Total net cash paid | **14,287** | **3,212** | **17,499** | – |

The assets acquired and liabilities assumed are recognised at the acquisition date fair value and are recorded at the consolidation level. No fair value adjustments arising from acquisitions are recognised at the underlying companies' separate financial statements. Goodwill arising on these acquisitions is recorded at the consolidation level and is not expected to be deductible for tax purposes. As additional information, the amount deductible for tax purposes (i.e. tax base) of the identifiable assets acquired and liabilities assumed relating to the acquisition of Orange Austria are different from and, in general, greater than the amount shown above. The fair value of the identifiable assets acquired and liabilities assumed relating to the other acquisitions have been determined on a provisional basis pending receipt of the final valuation for those assets and liabilities.

The contribution to the Group's revenue and profit after tax from these subsidiaries acquired since the respective date of acquisition is not material.

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

### (d) Disposal of subsidiary companies

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | **HK$ millions** | HK$ millions |
| Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents): | | |
| Fixed assets | **–** | 32 |
| Investment properties | **109** | – |
| Trade and other receivables | **–** | 1 |
| Creditors and current tax liabilities | **–** | (29) |
| | **109** | 4 |
| Profit on disposal * | **411** | 190 |
| | **520** | 194 |
| Satisfied by: | | |
| Cash and cash equivalents received as consideration | **520** | 194 |

* The profit on disposal for the six months ended 30 June 2013 and 2012 are recognised in the consolidated income statement and are included in the line item titled other operating expenses.

The effect on the Group's results from the subsidiaries disposed is not material for the six months ended 30 June 2013 and 2012.

## 19 Contingent liabilities

At 30 June 2013, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and joint ventures of HK$24,231 million (31 December 2012 – HK$11,920 million).

The amount utilised by its associated companies and joint ventures are as follows:

| | **30 June 2013** | 31 December 2012 |
|---|---|---|
| | **HK$ millions** | HK$ millions |
| To associated companies | | |
| Other businesses | **1,890** | 1,815 |
| To joint ventures | | |
| Property businesses | **799** | 1,285 |
| Other businesses | **20,202** | 7,385 |
| | **21,001** | 8,670 |

At 30 June 2013, the Group had provided performance and other guarantees of HK$4,528 million (31 December 2012 – HK$4,411 million).

## 20 Commitments

On 16 June 2013, a company formed by a consortium led by the Group's listed subsidiary Cheung Kong Infrastructure ("CKI") announced the acquisition of AVR Afvalverwerking B.V., a waste treatment company engaged in the business of waste processing and production and supply of renewable energy from the incineration of waste in the Netherlands for a net cash consideration of €940 million (approximately HK$9,700 million). CKI has a 35% shareholding of the consortium company. CKI's share of the total financial commitment in relation to the transaction is approximately €333 million (approximately HK$3,444 million). The completion of this transaction is subject to competition approval by the relevant regulatory authority and the fulfillment of certain conditions precedent.

On 24 June 2013, Hutchison 3G Ireland, a wholly owned subsidiary of the Group, announced that it has entered into an agreement with Telefonica to buy its O2 business in Ireland for €780 million (approximately HK$7,925 million). A further additional deferred payment of €70 million (approximately HK$711 million) is payable dependent upon achievement of agreed financial target. The completion of this transaction is subject to competition approval by the relevant regulatory authority.

Other than the aforementioned commitments, there have been no material changes in the total amount of capital commitments since 31 December 2012 except for the amounts taken up during the period in the normal course of business.

## 21 Related parties transactions

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

There have been no material changes in the total amount of outstanding balances with associated companies and joint ventures since 31 December 2012.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property and infrastructure, projects. At 30 June 2013, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$39,220 million (31 December 2012 - HK$42,012 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$3,537 million (31 December 2012 - HK$4,054 million) for the benefit of these same entities.

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

## 22 Legal proceedings

As at 30 June 2013, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

## 23 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the six months ended, 30 June 2013, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

# 24 Fair value of financial instruments

## (a) Financial instruments' carrying amounts versus fair values

The fair value of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated statement of financial position, are as follows:

| | **30 June 2013** | | 31 December 2012 | |
|---|---|---|---|---|
| | **Carrying amount HK$ millions** | **Fair value HK$ millions** | Carrying amount HK$ millions | Fair value HK$ millions |
| **Financial assets** | | | | |
| Loans and receivables * | | | | |
| Trade receivables (see note 13) | **19,638** | **19,638** | 19,646 | 19,646 |
| Other receivables and prepayments (see note 13) | **44,123** | **44,123** | 41,979 | 41,979 |
| Unlisted debt securities (see note 10) | **379** | **379** | 391 | 391 |
| Other receivables (see note 10) | **3,861** | **3,861** | 3,887 | 3,887 |
| Long term deposits (see note 11) | **35** | **35** | 39 | 39 |
| | **68,036** | **68,036** | 65,942 | 65,942 |
| Available-for-sale investments # | | | | |
| Unlisted equity securities (see note 10) | **902** | **902** | 930 | 930 |
| Managed funds, outside Hong Kong (see note 11) | **4,527** | **4,527** | 10,541 | 10,541 |
| Listed / traded debt securities, outside Hong Kong (see note 11) | **3,839** | **3,839** | 3,834 | 3,834 |
| Listed equity securities, Hong Kong (see note 11) | **2,204** | **2,204** | 2,165 | 2,165 |
| Listed equity securities, outside Hong Kong (see note 11) | **6,137** | **6,137** | 6,498 | 6,498 |
| Financial assets at fair value through profit or loss (see note 11) | **422** | **422** | 422 | 422 |
| | **18,031** | **18,031** | 24,390 | 24,390 |
| Fair value hedges # | | | | |
| Interest rate swaps (see notes 10 and 13) | **1,974** | **1,974** | 2,960 | 2,960 |
| Cross currency interest rate swaps (see notes 10 and 13) | **1,088** | **1,088** | 1,527 | 1,527 |
| Cash flow hedges # | | | | |
| Interest rate swaps (see note 10) | **16** | **16** | – | – |
| Forward foreign exchange contracts (see notes 10 and 13) | **779** | **779** | 47 | 47 |
| | **3,857** | **3,857** | 4,534 | 4,534 |
| | **89,924** | **89,924** | 94,866 | 94,866 |
| **Financial liabilities** | | | | |
| Financial liabilities * | | | | |
| Trade payables (see note 14) | **20,587** | **20,587** | 20,742 | 20,742 |
| Other payables and accruals (see note 14) | **55,915** | **55,915** | 55,932 | 55,932 |
| Bank and other debts (see note 15) (i) | **234,076** | **244,949** | 260,036 | 277,360 |
| Interest free loans from non-controlling shareholders (see note 14) | **1,156** | **1,156** | 476 | 476 |
| Interest bearing loans from non-controlling shareholders | **5,572** | **5,572** | 6,307 | 6,307 |
| Obligations for telecommunications licences and other rights (see note 16) | **3,662** | **3,662** | 3,870 | 3,870 |
| | **320,968** | **331,841** | 347,363 | 364,687 |
| Fair value hedges # | | | | |
| Interest rate swaps (see note 16) | **205** | **205** | – | – |
| Cash flow hedges # | | | | |
| Interest rate swaps (see note 16) | **174** | **174** | 249 | 249 |
| Forward foreign exchange contracts (see notes 14 and 16) | **75** | **75** | 439 | 439 |
| | **454** | **454** | 688 | 688 |
| | **321,422** | **332,295** | 348,051 | 365,375 |

* carried at amortised costs
\# carried at fair value

(i) The fair values of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

# 24 Fair value of financial instruments (continued)

## (b) Financial instruments carried at fair value

***Fair value hierarchy***

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

| | 30 June 2013 | | | |
|---|---|---|---|---|
| | Level 1<br>HK$ millions | Level 2<br>HK$ millions | Level 3<br>HK$ millions | Total<br>HK$ millions |
| **Financial assets (liabilities) measured at fair value** | | | | |
| Available-for-sale investments | | | | |
| Unlisted equity securities (see note 10) | – | 6 | 896 | 902 |
| Managed funds, outside Hong Kong (see note 11) | 4,527 | – | – | 4,527 |
| Listed / traded debt securities, outside Hong Kong (see note 11) | 1,455 | 2,384 | – | 3,839 |
| Listed equity securities, Hong Kong (see note 11) | 2,204 | – | – | 2,204 |
| Listed equity securities, outside Hong Kong (see note 11) | 4,930 | – | 1,207 | 6,137 |
| Financial assets at fair value through profit or loss (see note 11) | – | 422 | – | 422 |
| | 13,116 | 2,812 | 2,103 | 18,031 |
| Fair value hedges | | | | |
| Interest rate swaps (see notes 10 and 13) | – | 1,974 | – | 1,974 |
| Cross currency interest rate swaps (see notes 10 and 13) | – | 1,088 | – | 1,088 |
| Cash flow hedges | | | | |
| Interest rate swaps (see note 10) | – | 16 | – | 16 |
| Forward foreign exchange contracts (see notes 10 and 13) | – | 779 | – | 779 |
| | – | 3,857 | – | 3,857 |
| Fair value hedges | | | | |
| Interest rate swaps (see note 16) | – | (205) | – | (205) |
| Cash flow hedges | | | | |
| Interest rate swaps (see note 16) | – | (174) | – | (174) |
| Forward foreign exchange contracts (see note 14) | – | (75) | – | (75) |
| | – | (454) | – | (454) |

## 24 Fair value of financial instruments (continued)

### (b) Financial instruments carried at fair value (continued)

***Fair value hierarchy (continued)***

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Level 1<br>HK$ millions | Level 2<br>HK$ millions | Level 3<br>HK$ millions | Total<br>HK$ millions |
| **Financial assets (liabilities) measured at fair value** | | | | |
| Available-for-sale investments | | | | |
| Unlisted equity securities (see note 10) | – | – | 930 | 930 |
| Managed funds, outside Hong Kong (see note 11) | 10,541 | – | – | 10,541 |
| Listed / traded debt securities, outside Hong Kong (see note 11) | 1,565 | 2,269 | – | 3,834 |
| Listed equity securities, Hong Kong (see note 11) | 2,165 | – | – | 2,165 |
| Listed equity securities, outside Hong Kong (see note 11) | 5,269 | – | 1,229 | 6,498 |
| Financial assets at fair value through profit or loss (see note 11) | – | 422 | – | 422 |
| | 19,540 | 2,691 | 2,159 | 24,390 |
| Fair value hedges | | | | |
| Interest rate swaps (see notes 10 and 13) | – | 2,960 | – | 2,960 |
| Cross currency interest rate swaps (see note 10) | – | 1,527 | – | 1,527 |
| Cash flow hedges | | | | |
| Forward foreign exchange contracts (see note 13) | – | 47 | – | 47 |
| | – | 4,534 | – | 4,534 |
| Cash flow hedges | | | | |
| Interest rate swaps (see note 16) | – | (249) | – | (249) |
| Forward foreign exchange contracts (see notes 14 and 16) | – | (439) | – | (439) |
| | – | (688) | – | (688) |

During the six months ended 30 June 2013, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial instruments include discounted cash flow analysis, are used to determine fair value for the financial instruments.

# 24 Fair value of financial instruments (continued)

## (b) Financial instruments carried at fair value (continued)

***Level 3 fair value***

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

| | **2013** **HK$ million** | 2012 HK$ million |
|---|---|---|
| At 1 January | **2,159** | 2,339 |
| Total gains (losses) recognised in | | |
| Income statement | **(1)** | (1) |
| Other comprehensive income | **(27)** | 126 |
| Additions | **2** | 44 |
| Disposals | **–** | (367) |
| Exchange translation differences | **(30)** | 18 |
| At 30 June / 31 December | **2,103** | 2,159 |
| Total losses recognised in income statement relating to those instruments held at the end of the reporting period | **(1)** | (1) |

The fair value of financial instruments that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial instruments.

# Information for Shareholders

| | |
|---|---|
| **LISTING** | The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited |
| **STOCK CODE** | 13 |
| **PUBLIC FLOAT CAPITALISATION** | Approximately HK$163,134 million (approximately 47% of the issued share capital of the Company) as at 30 June 2013 |
| **FINANCIAL CALENDAR** | Record Date for 2013 Interim Dividend:<br>2 September 2013<br><br>Payment of 2013 Interim Dividend:<br>11 September 2013 |
| **REGISTERED OFFICE** | 22nd Floor, Hutchison House<br>10 Harcourt Road, Hong Kong<br>Telephone: +852 2128 1188<br>Facsimile: +852 2128 1705 |
| **SHARE REGISTRAR** | Computershare Hong Kong Investor Services Limited<br>Rooms 1712-1716, 17th Floor<br>Hopewell Centre, 183 Queen's Road East<br>Wanchai, Hong Kong<br>Telephone: +852 2862 8628<br>Facsimile: +852 2865 0990 |
| **INVESTOR INFORMATION** | Corporate press releases, financial reports and other investor information on the Group are available on the website of the Company |
| **INVESTOR RELATIONS CONTACT** | Please direct enquiries to:<br>Group Corporate Affairs Department<br>22nd Floor, Hutchison House<br>10 Harcourt Road, Hong Kong<br>Telephone: +852 2128 1188<br>Facsimile: +852 2128 1705<br>Email: info@hwl.com.hk |
| **WEBSITE ADDRESS** | www.hutchison-whampoa.com |