Hutchison Telecom Hong Kong Holdings

Hutchison Telecommunications Hong Kong Holdings Limited

和記電訊香港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 215)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

	2013 HK$ millions	2012 HK$ millions (Restated) (1)	Change
Consolidated turnover	12,777	15,536	-18%
Consolidated EBITDA (2)	2,674	3,008	-11%
Consolidated EBIT (3)	1,339	1,726	-22%
Profit attributable to shareholders	916	1,215	-25%
Earnings per share (in HK cents)	19.01	25.22	-25%
Final dividend per share (in HK cents)	8.00	13.03	-39%
Full year dividend per share (in HK cents)	14.25	19.08	-25%

- Turnover of mobile business was HK$9,359 million (-24%), of which hardware revenue reduced by 39% to HK$4,221 million and service revenue reduced by 6% to HK$5,138 million. EBITDA and EBIT were HK$1,570 million (-25%) and HK$961 million (-35%) respectively.
- Turnover of fixed-line business was HK$3,880 million (+7%). EBITDA and EBIT were HK$1,234 million (+18%) and HK$508 million (+33%) respectively.
- Consolidated EBITDA less capital expenditure on property, plant and equipment was HK$1,394 million, comparable with 2012.

Note 1: The annual results for the year ended 31 December 2012 have been restated to reflect a change in the accounting policy with respect to defined benefit plans for employee benefits. Such change in the accounting policy resulted in an increase in staff costs by HK$12 million in 2012.

Note 2: EBITDA is defined as earnings before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.

Note 3: EBIT is defined as earnings before interest income, interest and other finance costs, taxation and share of results of joint ventures.

CHAIRMAN'S STATEMENT

Year 2013 was challenging for Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") and its subsidiaries (together, the "Group"). Despite the weak market response to smart mobile phones and devices launched in 2013, we demonstrated resilience as an integrated telecommunications operator.

Results

Consolidated turnover was HK$12,777 million in 2013 compared with HK$15,536 million in 2012. Consolidated EBITDA and EBIT in 2013 were HK$2,674 million and HK$1,339 million respectively, compared with HK$3,008 million and HK$1,726 million respectively in 2012. Profit attributable to shareholders in 2013 amounted to HK$916 million compared with HK$1,215 million in 2012. Basic earnings per share in 2013 were 19.01 HK cents compared with 25.22 HK cents in 2012.

Dividends

The Board of Directors (the "Board") recommends payment of a final dividend of 8.00 HK cents (2012: 13.03 HK cents) per share for the year ended 31 December 2013. The proposed final dividend will be payable on Wednesday, 28 May 2014, following approval from the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on Monday, 19 May 2014, being the record date for determining shareholders' entitlement to the proposed final dividend. Including the interim dividend of 6.25 HK cents per share, full year dividend will amount to 14.25 HK cents per share. The payout is equivalent to 75% of profit attributable to shareholders for the year, in line with the dividend policy of the Company.

Business Review

Mobile business – Hong Kong and Macau

Mobile business turnover was HK$9,359 million in 2013 compared with HK$12,383 million in 2012. Revenue from mobile hardware sales dropped by 39% to HK$4,221 million as a result of lower demand for new handset models during the year. Mobile service revenue fell by 6% to HK$5,138 million of which 2% drop was due to the transition from a subsidised handset business model to a non-subsidised handset business model. The transition began in 2010 and was completed in the first half of 2013. All our postpaid customers under handset bundled contracts as at the end of 2013 were on the non-subsidised handset business model. Mobile service revenue decreased by a further 4% as customers migrated to lower-tier service plans. EBITDA and EBIT in 2013 were HK$1,570 million and HK$961 million respectively, representing a drop of 25% and 35% respectively.

As of 31 December 2013, our total number of customers in Hong Kong and Macau was maintained at approximately 3.8 million (2012: 3.8 million). Over 60% of our 3G and 4G Long-Term-Evolution ("LTE") postpaid customers in Hong Kong and Macau were smart device users.

The financial performance of our mobile business is expected to stabilise and improve in subsequent periods due to the completion of transition to the non-subsidised handset business model in the first half of 2013, which had a dilutive effect on service revenue, and the removal of unlimited local data offering and introduction of additional tier-pricing in late 2013. With the continued competitive landscape in the mobile market in Hong Kong, the mobile business will focus on strengthening customer loyalty by introducing more customer-oriented services and applications.

Fixed-line business

Our fixed-line business continued to report growth during the year. In particular, we were able to capture additional demand for data transmission in the corporate and business markets. Service revenue rose by 7% from HK$3,640 million in 2012 to HK$3,880 million in 2013. EBITDA and EBIT in 2013 were HK$1,234 million and HK$508 million respectively, representing an increase of 18% and 33% respectively compared with 2012 as a result of effective cost management.

The growth momentum of fixed-line business is expected to continue, especially in the corporate and business markets, which were the key growth drivers in 2013. Continued effort and focus will be put into new product development and providing better customer experience via speed and service upgrade.

Outlook

In 2013, the improvement in the performance of our fixed-line business partially offset the fall in the mobile business. We expect that the performance of the mobile business will be improved in 2014, albeit an increase in deferred tax expenses which would affect the overall results is anticipated. As an integrated telecommunications solution provider, we will continue to develop innovative and customer-oriented mobile, fixed-line and integrated services and products for new customers. We will also look for opportunities to provide our existing customers with additional services to meet their total telecommunications needs. Our fundamentals, with state-of-the-art network infrastructure and financial strength, will serve us well as we continue our pursuit of service excellence. I have confidence in the prospects of the Group.

Finally, I would like to take this opportunity to thank the Board and all staff members for their dedication, professionalism and determination to succeed.

FOK Kin Ning, Canning
Chairman

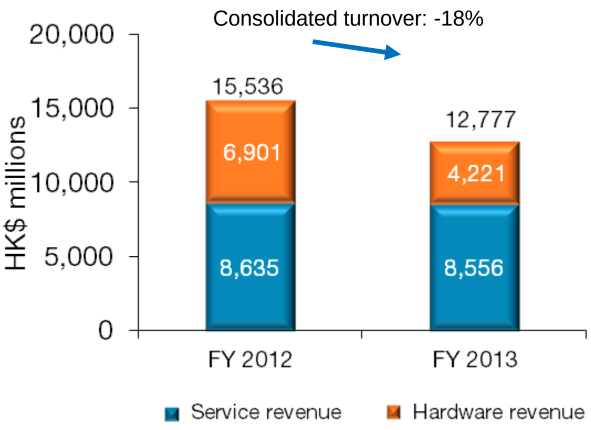
Hong Kong, 24 February 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Consolidated turnover for the year ended 31 December 2013 was HK$12,777 million compared with HK$15,536 million in 2012. The 18% drop in consolidated turnover was mainly due to the substantial drop of mobile hardware revenue by 39%, as a result of reduced demand for new handsets during the year, while service revenue was comparable with 2012. Mobile service revenue decreased by 6% to HK$5,138 million as more customers subscribed to mid and lower-tier service plans following the lower demand for new handset models which resulted in less migration to higher-tier service plans, thus offsetting the 7% growth in fixed-line service revenue. Overall consolidated service revenue was HK$8,556 million, comparable with that in 2012. Cost of inventories sold declined by 39% to HK$3,943 million in 2013, in line with the decline in mobile hardware sales.

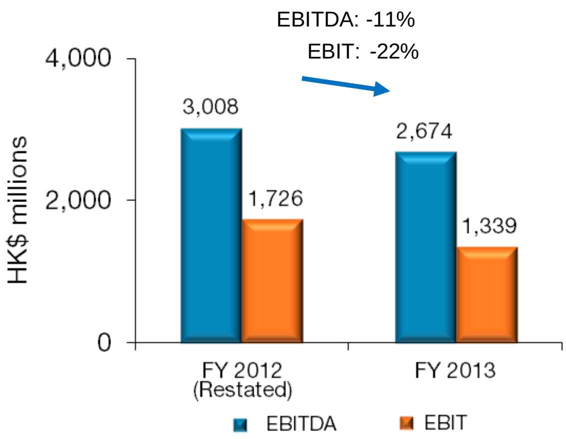
Consolidated turnover



Total operating expenses, excluding cost of inventories sold, increased by 3% from HK$7,302 million in 2012 to HK$7,495 million in 2013, mainly as a result of inflationary pressure on various costs.

Consolidated EBITDA dropped by 11% from HK$3,008 million in 2012 to HK$2,674 million in 2013 while EBITDA margin on service revenue reduced from 35% in 2012 to 31% in 2013. Consolidated EBIT decreased by 22% from HK$1,726 million in 2012 to HK$1,339 million in 2013.

Consolidated EBITDA and EBIT

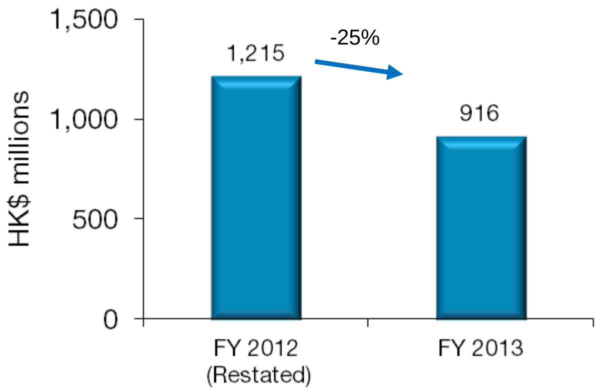


Interest and other finance costs rose from HK$166 million in 2012 to HK$181 million in 2013, as a result of a net increase in borrowings of HK$800 million. Gearing ratio, calculated by dividing net debt by net total capital, increased to 28% (2012: 24%).

Share of losses of joint ventures in 2013 amounted to HK$12 million compared with HK$3 million in 2012, as we continued to develop our data centre facilities. Taxation was HK$77 million in 2013 compared with HK$54 million in 2012, as a result of increased fixed-line business profitability. Following years of profitability of the mobile business, brought forward tax losses are gradually being utilised. As such, we expect an increase of deferred tax expenses in 2014.

Overall, profit attributable to shareholders of the Company decreased from HK$1,215 million in 2012 to HK$916 million in 2013.

Profit attributable to shareholders



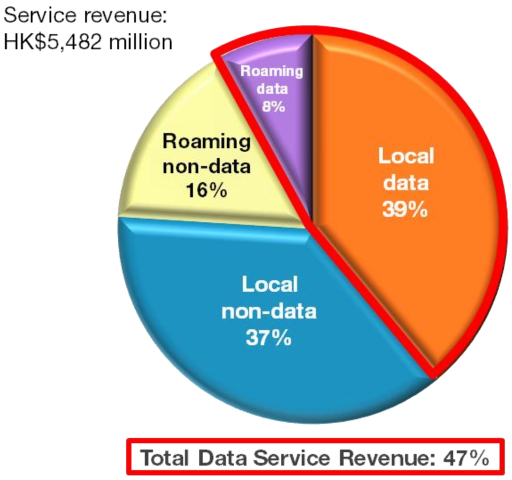
Business Review

The Group is engaged in two principal businesses – mobile and fixed-line.

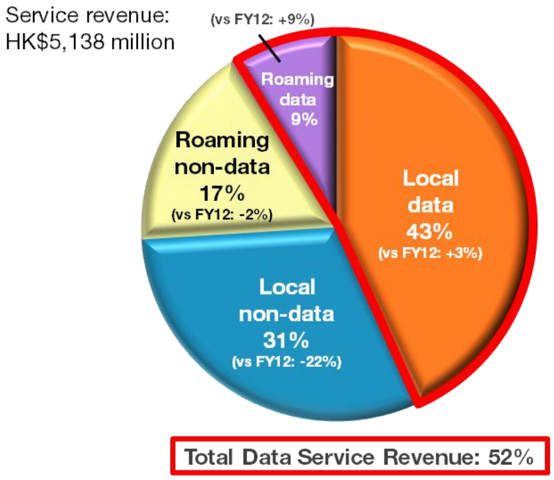
Mobile business in Hong Kong and Macau

Turnover for the year ended 31 December 2013 was HK$9,359 million, decreased by 24% compared with HK$12,383 million in 2012. This was mainly as a result of a 39% reduction in hardware revenue due to lower demand for new handsets, which also contributed towards a 6% drop in mobile service revenue as compared to 2012. The decrease in service revenue was mainly due to the transition to a non-subsidised handset business model, less migration to higher-tier service plans, as well as a significant drop in demand for non-data services, which was partially offset by increased demand for data services. Total data service revenue[(1)] from local and roaming is now the largest source of mobile service income, accounting for 52% (2012: 47%) of mobile service revenue, which reflects the growing importance of data services in the data-centric era. Net customer service margin[(2)] improved from 85% in 2012 to 87% in 2013 as a result of strict control of variable costs.

Mobile service revenue



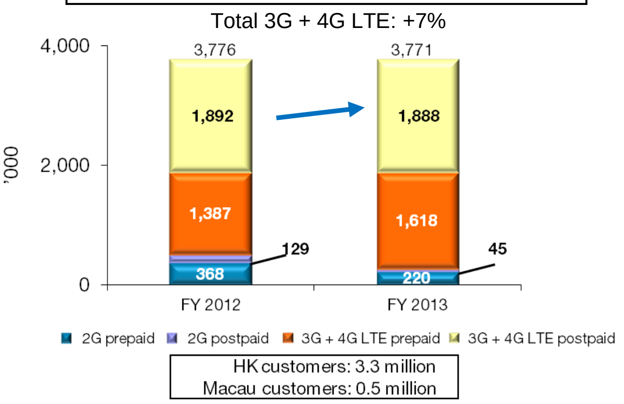
FY 2012



FY 2013

As of 31 December 2013, our Hong Kong and Macau base was maintained at approximately 3.8 million customers, of which postpaid customers totalled approximately 1.9 million (51% of total customer base). 3G and 4G LTE customers accounted for 98% amongst our total postpaid customer base. Churn rate of postpaid customers was maintained at 1.9% in 2013.

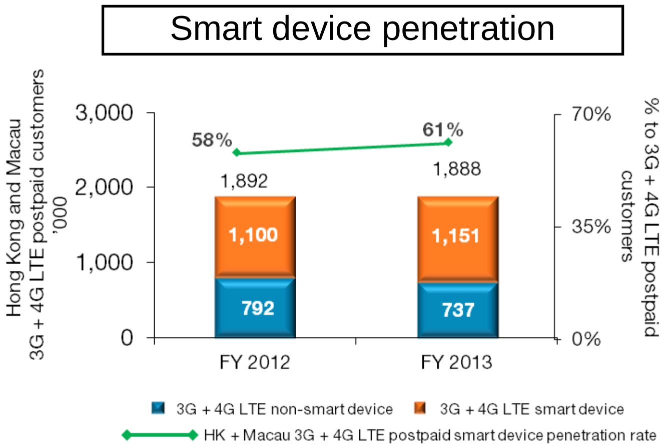
Total customers

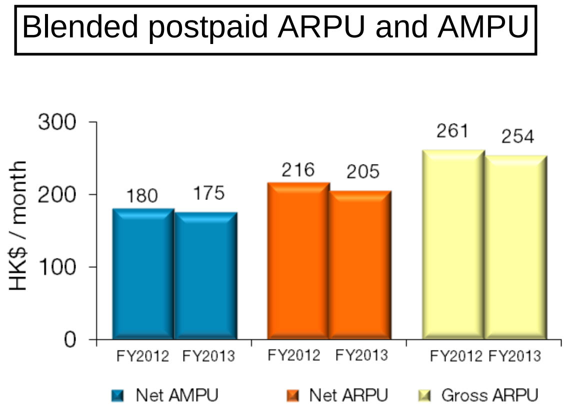


Note 1: Data service revenue is defined as customer payment for internet and data access services, excluding messaging, content and related services. Non-data service revenue is defined as customer payment for items including voice, messaging, content and related services.

Note 2: Net customer service margin is defined as service revenue less direct variable costs (including interconnection charges and roaming costs).

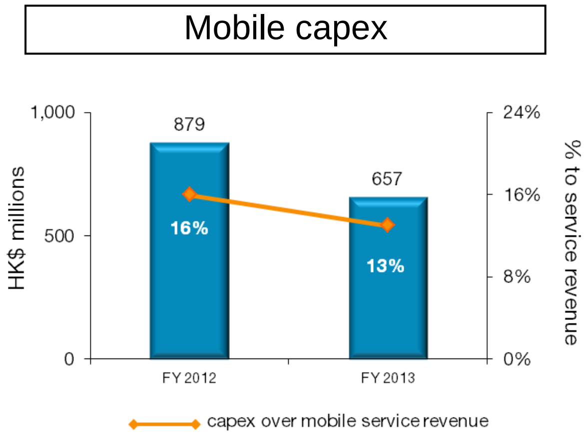
As of 31 December 2013, over 60% of our 3G and 4G LTE postpaid customers in Hong Kong and Macau were smart device users (2012: 58%). Blended postpaid gross ARPU(3) in 2013 was HK$254, compared with HK$261 in 2012 while the blended postpaid net ARPU(3) in 2013 was HK$205 compared with HK$216 in 2012. Blended postpaid net AMPU(4) in 2013 was HK$175 compared with HK$180 in 2012. Lower average net ARPU and net AMPU in 2013 were due to customers opting for lower-tier service plans and the completion of the transition from a subsidised handset business model to a non-subsidised handset business model.





Mobile business EBITDA was HK$1,570 million in 2013, representing a 25% decrease compared with that of 2012, while corresponding EBIT was HK$961 million in 2013, representing a 35% decrease compared with 2012. The decreases were the result of a 24% shortfall in turnover, partly offset by lower operating costs including cost of inventories sold as a result of substantial effort spent on cost management. Overall EBITDA margin on service revenue was maintained at a healthy level of approximately 30% despite a substantial reduction in sales performance.

Capital expenditure on property, plant and equipment in 2013 amounted to HK$657 million (2012: HK$879 million), accounting for 13% (2012: 16%) of mobile service revenue. Lower capital expenditure was spent in 2013 as roll-out of our 4G LTE network was completed. EBITDA less capital expenditure was HK$913 million in 2013, representing a 24% reduction compared with 2012.



Summary of spectrum investment		
Spectrum band	**Bandwidth**	**Year of expiry**
900 MHz	10 MHz	2026
900 MHz	16.6 MHz	2020
1800 MHz	23.2 MHz	2021
2100 MHz	34.6 MHz	2016
2300 MHz	30 MHz	2027
2600 MHz	30 MHz*	2024
2600 MHz	10 MHz*	2028

* Shared under 50/50 joint venture - Genius Brand Limited

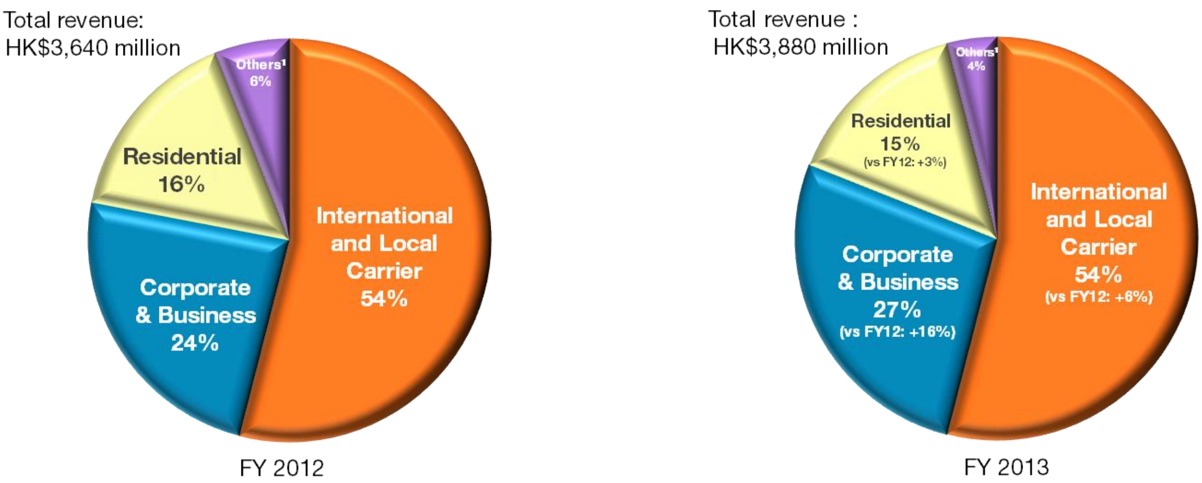
Note 3: ARPU represents average revenue per user. Gross ARPU is defined as monthly average spending per user including a customer's contribution to handset, or other devices, in a bundled service and hardware plan. Net ARPU is defined as monthly average spending per user excluding a customer's contribution to handset, or other devices, in a bundled service and hardware plan.

Note 4: AMPU represents average margin per user. Net AMPU equals net ARPU less direct variable costs (including interconnection charges and roaming costs).

Fixed-line business

Turnover increased from HK$3,640 million in 2012 to HK$3,880 million in 2013, an increase of 7%. All major segments of the fixed-line business reported growth. Corporate and business market recorded a growth of 16% from HK$891 million in 2012 to HK$1,035 million in 2013 while we expanded our service portfolio to bring greater values to our customers. Revenue from the international and local carrier market increased as we extended our global reach and consolidated our leadership in the region. It continued to account for the largest share of total fixed-line revenue, rising 6% from HK$1,958 million in 2012 to HK$2,083 million in 2013. Revenue from the residential market grew by 3% from HK$584 million in 2012 to HK$602 million in 2013 to reflect the growing demand for high-speed broadband services.

Fixed-line revenue

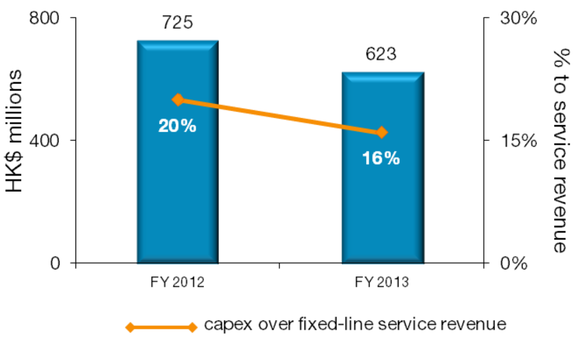


[1] Others include revenue from interconnection charges and data centres.

EBITDA increased by 18% from HK$1,050 million in 2012 to HK$1,234 million in 2013. EBITDA margin improved from 29% in 2012 to 32% in 2013. EBIT amounted to HK$508 million in 2013, representing an increase of 33% compared with HK$383 million in 2012.

Capital expenditure on property, plant and equipment amounted to HK$623 million in 2013 (2012: HK$725 million), representing 16% (2012: 20%) of fixed-line service revenue. EBITDA less capital expenditure improved from HK$325 million in 2012 to HK$611 million in 2013.

Fixed-line capex



HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 HK$ millions	(Restated) (Note 2(b)) 2012 HK$ millions
Turnover	3	12,777	15,536
Cost of inventories sold		(3,943)	(6,508)
Staff costs		(783)	(749)
Customer acquisition costs		(800)	(708)
Depreciation and amortisation		(1,335)	(1,282)
Other operating expenses		(4,577)	(4,563)
		1,339	1,726
Interest income	5	21	12
Interest and other finance costs	5	(181)	(166)
Share of results of joint ventures		(12)	(3)
Profit before taxation		1,167	1,569
Taxation	6	(77)	(54)
Profit for the year		1,090	1,515
Attributable to:			
Shareholders of the Company		916	1,215
Non-controlling interests		174	300
		1,090	1,515
Earnings per share attributable to shareholders of the Company (expressed in HK cents per share):			
- basic	7	19.01	25.22
- diluted	7	19.01	25.22

Details of interim dividend paid and proposed final dividend payable to shareholders of the Company are set out in Note 8.

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 HK$ millions	(Restated) (Note 2(b)) 2012 HK$ millions
Profit for the year	1,090	1,515
Other comprehensive income		
Item that will not be reclassified subsequently to income statement in subsequent periods:		
- Remeasurements of defined benefit plans	93	(31)
Item that may be reclassified subsequently to income statement in subsequent periods:		
- Currency translation differences	(1)	1
Total comprehensive income for the year, net of tax	1,182	1,485
Total comprehensive income attributable to:		
Shareholders of the Company	1,008	1,185
Non-controlling interests	174	300
	1,182	1,485

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	2013 HK$ millions	2012 HK$ millions
ASSETS			
Non-current assets			
Property, plant and equipment		10,509	10,274
Goodwill		4,503	4,503
Telecommunications licences		1,538	1,702
Other non-current assets		1,110	1,144
Deferred tax assets		369	368
Investments in joint ventures		715	486
Total non-current assets		18,744	18,477
Current assets			
Cash and cash equivalents	9	209	182
Trade receivables and other current assets	10	1,881	2,040
Inventories		171	201
Total current assets		2,261	2,423
Current liabilities			
Trade and other payables	11	3,981	4,861
Current income tax liabilities		14	13
Total current liabilities		3,995	4,874
Net current liabilities		(1,734)	(2,451)
Total assets less current liabilities		17,010	16,026
Non-current liabilities			
Deferred tax liabilities		342	276
Borrowings		4,571	3,746
Other non-current liabilities		761	913
Total non-current liabilities		5,674	4,935
Net assets		11,336	11,091
CAPITAL AND RESERVES			
Share capital		1,205	1,205
Reserves		9,836	9,757
Total shareholders' funds		11,041	10,962
Non-controlling interests		295	129
Total equity		11,336	11,091

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2013, previously reported	1,205	11,185	(1,311)	1	(135)	17	10,962	129	11,091
Effect of change in accounting policy (Note 2(b))	-	-	(87)	-	87	-	-	-	-
At 1 January 2013, restated	1,205	11,185	(1,398)	1	(48)	17	10,962	129	11,091
Profit for the year	-	-	916	-	-	-	916	174	1,090
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	93	-	93	-	93
Currency translation differences	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income, net of tax	-	-	916	(1)	93	-	1,008	174	1,182
Dividend paid (Note 8)	-	-	(929)	-	-	-	(929)	(8)	(937)
At 31 December 2013	1,205	11,185	(1,411)	-	45	17	11,041	295	11,336

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to shareholders of the Company								
	Share capital HK$ millions	Share premium HK$ millions	Accumulated losses HK$ millions	Cumulative translation adjustments HK$ millions	Pension reserve HK$ millions	Other reserves HK$ millions	Total HK$ millions	Non-controlling interests HK$ millions	Total equity HK$ millions
At 1 January 2012, previously reported	1,205	11,184	(1,730)	-	(92)	17	10,584	(171)	10,413
Effect of change in accounting policy (Note 2(b))	-	-	(75)	-	75	-	-	-	-
At 1 January 2012, restated	1,205	11,184	(1,805)	-	(17)	17	10,584	(171)	10,413
Profit for the year, restated	-	-	1,215	-	-	-	1,215	300	1,515
Other comprehensive income									
Remeasurements of defined benefit plans	-	-	-	-	(31)	-	(31)	-	(31)
Currency translation differences	-	-	-	1	-	-	1	-	1
Total comprehensive income, net of tax, restated	-	-	1,215	1	(31)	-	1,185	300	1,485
Dividend paid	-	-	(808)	-	-	-	(808)	-	(808)
Employee share option scheme - proceeds from shares issued	-	1	-	-	-	-	1	-	1
	-	1	(808)	-	-	-	(807)	-	(807)
At 31 December 2012, restated	1,205	11,185	(1,398)	1	(48)	17	10,962	129	11,091

HUTCHISON TELECOMMUNICATIONS HONG KONG HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 HK$ millions	2012 HK$ millions
Cash flows from operating activities			
Cash generated from operations		1,842	2,969
Interest and other finance costs paid		(96)	(75)
Tax paid		(11)	(6)
Net cash generated from operating activities		1,735	2,888
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,234)	(1,596)
Additions to other non-current assets		(23)	(20)
Additions to telecommunications licences		-	(150)
Proceeds from disposals of property, plant and equipment		6	3
Payment relating to investments in joint ventures		(320)	(182)
Net cash used in investing activities		(1,571)	(1,945)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares upon exercise of share options		-	1
Proceeds from borrowings		2,850	5,912
Repayment of borrowings		(2,050)	(6,040)
Dividend paid to the shareholders of the Company	8	(929)	(808)
Dividend paid to non-controlling interests		(8)	(8)
Net cash used in financing activities		(137)	(943)
Increase in cash and cash equivalents		27	-
Cash and cash equivalents at 1 January		182	182
Cash and cash equivalents at 31 December		209	182

NOTES

1 General information

Hutchison Telecommunications Hong Kong Holdings Limited (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as a company with limited liability. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company and its subsidiaries (together the "Group") are principally engaged in mobile telecommunications business in Hong Kong and Macau and fixed-line telecommunications business in Hong Kong.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and whose American Depositary Shares, each representing ownership of 15 shares, are eligible for trading in the United States of America only in the over-the-counter market.

These financial statements were approved for issuance by the Board of Directors on 24 February 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

As at 31 December 2013, the current liabilities of the Group exceeded its current assets by approximately HK$1,734 million. Included in the current liabilities were non-refundable customer prepayments of HK$875 million which will gradually reduce over the contract terms of relevant subscriptions through delivery of services. Excluding the non-refundable customer prepayments, the net current liabilities of the Group would have been approximately HK$859 million. Management of the Group anticipates the net cash inflows from its operations, together with the ability to draw down from available banking facility, would be sufficient to enable the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of significant accounting policies (Continued)

(b) New/revised standards and amendments to existing standards adopted by the Group

During the year, the Group has adopted the following new/revised standards and amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2013:

IFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
IAS 1 (Amendment)	Financial Statements Presentation
IAS 19 (Revised 2011)	Employee Benefits
IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Associates and Joint Ventures
IFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Transition Amendments
IFRS 13	Fair Value Measurements

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 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 IFRS 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. IFRS 10 has no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

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

IFRS 12 Disclosures of interests in Other Entities

IFRS 12 includes new disclosures for all form of interests in other entities, including subsidiaries and joint arrangements. Accordingly, the Group provides these disclosures in the notes to the financial statements.

2 Summary of significant accounting policies (Continued)

(b) New/revised standards and amendments to existing standards adopted by the Group (Continued)

IFRS 13 Fair Value Measurement

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

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Accordingly, the Group provides these disclosures in the notes to the financial statements.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. 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.

IAS 19 (Revised 2011) Employee Benefits

IAS 19 (Revised 2011) includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. IAS19 (Revised 2011) requires retrospective application. The adoption of IAS 19 (Revised 2011) had an impact on the net defined benefit obligations primarily due to the difference in accounting for interest on plan assets. The effect of the adoption of IAS 19 (Revised 2011) is explained below:

	2013 HK$ millions	2012 HK$ millions
Increase in staff costs	(14)	(12)
Decrease in profit attributable to shareholders of the Company	(14)	(12)
Decrease in earnings per share attributable to shareholders of the Company (expressed in HK cents per share):		
- basic	(0.29)	(0.25)
- diluted	(0.29)	(0.25)

	At 1 January 2013 HK$ millions	At 1 January 2012 HK$ millions
Increase in accumulated losses	(87)	(75)
Increase in pension reserve	87	75

2 Summary of significant accounting policies (Continued)

(c) New/revised standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of approval of these financial statements, the following new/revised standards, amendments and interpretations to existing standards have been issued but are not yet effective for the year ended 31 December 2013:

IFRSs (Amendments) (ii)	Annual Improvements 2010 - 2012 Cycle
IFRSs (Amendments) (ii)	Annual Improvements 2011 - 2013 Cycle
IAS 19 (Amendment) (ii)	Defined Benefit Plans: Employee Contributions
IAS 32 (Amendment) (i)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendment) (i)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendment) (i)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21 (i)	Levies
IFRS 9 (iv)	Financial Instruments
IFRS 14 (iii)	Regulatory Deferral Accounts
IFRS 7 and IFRS 9 (Amendments) (iv)	Mandatory Effective Date and Transition Disclosures
IFRS 10, IFRS 12 and IAS 27 (Amendments) (i)	Investment Entities

(i) Effective for annual periods beginning on or after 1 January 2014
(ii) Effective for annual periods beginning on or after 1 July 2014
(iii) Effective for annual periods beginning on or after 1 January 2016
(iv) The original effective date of 1 January 2015 was removed. It will be set once the other phases of IFRS 9 are completed and finalised.

The impact of adoption of these new/revised standards, amendments and interpretations to existing standards in future periods is not currently known or cannot be reasonably estimated.

(d) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Significant estimates and assumptions concerning the future may be required in selecting and applying accounting methods and policies in these financial statements. The Group bases its estimates and assumptions on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates or assumptions. The following is a review of the more significant estimates and assumptions used in the preparation of these financial statements.

(i) Estimated useful life for telecommunications infrastructure and network equipment

The Group has substantial investments in mobile and fixed-line telecommunications infrastructure and network equipment. As at 31 December 2013, the carrying amount of the mobile and fixed-line telecommunications infrastructure and network equipment is approximately HK$9,160 million (2012: HK$8,836 million). Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

2 Summary of significant accounting policies (Continued)

(d) Critical accounting estimates and judgements (Continued)

(ii) Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Asset impairment

Management judgement is required in the area of asset impairment, including goodwill, particularly in assessing whether: (i) an event has occurred that may affect asset values; (ii) the carrying value of an asset can be supported by the net present value of future cash flows from the asset using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group’s reported financial condition and results of operations. In performing the impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group. The results of the impairment test undertaken as at 31 December 2013 indicated that no impairment charge was necessary.

(iv) Allocation of revenue for bundled transactions with customers

The Group has bundled transactions under contracts with customers including sales of both services and hardware (for example handsets). The amount of revenue recognised upon the sale of hardware is determined by considering the estimated fair values of each of the service element and hardware element of the contract. Significant judgement is required in assessing the fair values of both of these elements by considering inter alia, standalone selling price and other observable market data. Changes in the estimated fair values may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the fair values of the elements as a result of changes in market conditions.

Critical judgements in applying the Group’s accounting policies

(i) Deferred taxation

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred tax assets recorded in relation to cumulative tax loss carryforwards. The assumptions regarding future profitability of various subsidiaries require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group’s reported financial position and results of operations. As at 31 December 2013, the Group has recognised deferred tax assets of approximately HK$369 million (2012: HK$368 million).

3 Turnover

Turnover comprises revenues from provision of mobile telecommunications services, sales of telecommunications hardware and provision of fixed-line telecommunications services. An analysis of turnover is as follows:

	2013 HK$ millions	2012 HK$ millions
Mobile telecommunications services	5,124	5,480
Fixed-line telecommunications services	3,432	3,155
Telecommunications hardware	4,221	6,901
	12,777	15,536

4 Segment information

The Group is organised into two business segments: mobile business and fixed-line business. “Others” segment represents corporate support functions. No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in Hong Kong. Management of the Group measures the performance of its segments based on EBITDA/(LBITDA) [(a)] and EBIT/(LBIT) [(b)]. The segment information on turnover, EBITDA/(LBITDA), EBIT/(LBIT), total assets and total liabilities agreed to the aggregate information in the consolidated financial statements. As such, no reconciliation between the segment information and the aggregate information in the consolidated financial statements is presented.

4 Segment information (Continued)

	At and for the year ended 31 December 2013				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover - service	5,138	3,880	-	(462)	8,556
Turnover - hardware	4,221	-	-	-	4,221
	9,359	3,880	-	(462)	12,777
Operating costs	(7,789)	(2,646)	(130)	462	(10,103)
EBITDA/(LBITDA)	1,570	1,234	(130)	-	2,674
Depreciation and amortisation	(609)	(726)	-	-	(1,335)
EBIT/(LBIT)	961	508	(130)	-	1,339
Total assets before investments in joint ventures	9,498	10,897	12,929	(13,034)	20,290
Investments in joint ventures	550	165	-	-	715
Total assets	10,048	11,062	12,929	(13,034)	21,005
Total liabilities	(11,666)	(7,073)	(93)	9,163	(9,669)
Other information:					
Additions to property, plant and equipment	657	623	-	-	1,280
Additions to telecommunications licences	4	-	-	-	4

4 Segment information (Continued)

	At and for the year ended 31 December 2012 (Restated)				
	Mobile HK$ millions	Fixed-line HK$ millions	Others HK$ millions	Elimination HK$ millions	Total HK$ millions
Turnover - service	5,482	3,640	-	(487)	8,635
Turnover - hardware	6,901	-	-	-	6,901
	12,383	3,640	-	(487)	15,536
Operating costs	(10,295)	(2,590)	(130)	487	(12,528)
EBITDA/(LBITDA)	2,088	1,050	(130)	-	3,008
Depreciation and amortisation	(615)	(667)	-	-	(1,282)
EBIT/(LBIT)	1,473	383	(130)	-	1,726
Total assets before investments in joint ventures	9,572	10,920	13,174	(13,252)	20,414
Investments in joint ventures	393	93	-	-	486
Total assets	9,965	11,013	13,174	(13,252)	20,900
Total liabilities	(12,394)	(6,703)	(93)	9,381	(9,809)
Other information:					
Additions to property, plant and equipment	879	725	-	-	1,604
Additions to telecommunications licences	152	-	-	-	152

(a) EBITDA/(LBITDA) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation, depreciation and amortisation, and share of results of joint ventures.

(b) EBIT/(LBIT) is defined as earnings/(losses) before interest income, interest and other finance costs, taxation and share of results of joint ventures.

The total revenue from external customers in Hong Kong for the year ended 31 December 2013 amounted to approximately HK$12,208 million (2012: HK$14,849 million) and the total revenue from external customers in Macau for the year ended 31 December 2013 amounted to approximately HK$569 million (2012: HK$687 million).

The total of non-current assets other than deferred tax assets located in Hong Kong as at 31 December 2013 amounted to approximately HK$17,948 million (2012: HK$17,741 million) and the total of these non-current assets located in Macau as at 31 December 2013 amounted to approximately HK$427 million (2012: HK$368 million).

5 Interest and other finance costs, net

	2013 HK$ millions	2012 HK$ millions
Interest income:		
Interest income from joint ventures	21	12
Interest and other finance costs:		
Bank loans repayable within 5 years	(81)	(62)
Notional non-cash interest accretion [(a)]	(69)	(76)
Guarantee and other finance fees	(40)	(34)
	(190)	(172)
Less: Amounts capitalised on qualifying assets	9	6
	(181)	(166)
Interest and other finance costs, net	(160)	(154)

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

6 Taxation

	2013		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	65	65
Outside Hong Kong	12	-	12
	12	65	77

	2012		
	Current taxation HK$ millions	Deferred taxation HK$ millions	Total HK$ millions
Hong Kong	-	45	45
Outside Hong Kong	9	-	9
	9	45	54

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits less available tax losses. Taxation outside Hong Kong has been provided at the applicable current rates of taxation ruling in the relevant countries on the estimated assessable profits less available tax losses.

7 Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of the Company of approximately HK$916 million (2012: HK$1,215 million) and on the weighted average number of 4,818,896,208 (2012: 4,818,485,607) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2013 is calculated by adjusting the weighted average number of 4,818,896,208 (2012: 4,818,485,607) ordinary shares in issue with the weighted average number of 145,355 (2012: 432,063) ordinary shares deemed to be issued assuming the exercise of the share options.

8 Dividends

	2013 HK$ millions	2012 HK$ millions
Interim, paid of 6.25 HK cents per share (2012: 6.05 HK cents per share)	301	292
Final, proposed of 8.00 HK cents per share (2012: 13.03 HK cents per share)	386	628
	687	920

9 Cash and cash equivalents

	2013 HK$ millions	2012 HK$ millions
Cash at banks and in hand	115	87
Short-term bank deposits	94	95
	209	182

The effective interest rates on short-term bank deposits ranged from 0.01% to 0.02% per annum (2012: 0.01% to 0.31%). These deposits have an average maturity of 1 to 4 days (2012: 1 to 14 days).

The carrying values of cash and cash equivalents approximate their fair values.

10 Trade receivables and other current assets

	2013 HK$ millions	2012 HK$ millions
Trade receivables	1,792	1,927
Less: Provision for doubtful debts	(165)	(202)
Trade receivables, net of provision [(a)]	1,627	1,725
Other receivables	117	104
Prepayments and deposits	137	211
	1,881	2,040

(a) Trade receivables, net of provision

	2013 HK$ millions	2012 HK$ millions
The ageing analysis of trade receivables, net of provision for doubtful debts is as follows:		
0 - 30 days	1,088	1,133
31 - 60 days	197	245
61 - 90 days	118	97
Over 90 days	224	250
	1,627	1,725

The credit period granted by the Group to customers generally ranges from 14 to 45 days, or a longer period for corporate or carrier customers based on the individual commercial terms. The carrying values of trade receivables approximate their fair values.

11 Trade and other payables

	2013 HK$ millions	2012 HK$ millions
Trade payables [(a)]	654	870
Other payables and accruals	2,279	2,880
Deferred revenue	875	947
Current portion of licence fees liabilities	173	164
	3,981	4,861

The carrying values of trade and other payables approximate their fair values.

(a) Trade payables

	2013 HK$ millions	2012 HK$ millions
The ageing analysis of trade payables is as follows:		
0 - 30 days	306	404
31 - 60 days	59	76
61 - 90 days	80	67
Over 90 days	209	323
	654	870

GROUP CAPITAL RESOURCES AND OTHER INFORMATION

Treasury Management

The primary treasury and funding policies of the Group focus on liquidity management and maintaining an optimum level of liquidity, while funding subsidiary operations in a cost-efficient manner. The treasury function of the Group operates as a centralised service for managing group funding needs and monitoring financial risks, such as those relating to interest and foreign exchange rates, as well as counterparty risks.

The Group uses interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and managing the assets and liabilities of the Group. It is the policy of the Group not to enter into derivative transactions or invest in financial products, such as hedge funds or similar vehicles, as part of any speculative exercise.

Cash management and funding

In general, financing is raised mainly in the form of bank borrowings to meet funding requirements of the operating subsidiaries of the Group. Close monitoring of the overall debt position of the Group involves regular reviews of funding costs and maturity profile in order to facilitate refinancing.

Interest rate exposure

The Group is exposed to interest rate changes that affect Hong Kong dollar borrowings which are at floating rates. The Group manages its interest rate exposure with a focus on reducing its overall cost of debt.

Foreign currency exposure

The Group runs telecommunications operations in Hong Kong and Macau, with transactions denominated in Hong Kong dollars and Macau Patacas. The Group is exposed to other currency movements, primarily in terms of certain trade receivables or payables and bank deposits denominated in United States dollars, Euros and British pounds.

Credit exposure

The Group operates a central cash-management system for all subsidiaries. The Group's holding of surplus funds are managed in a prudent manner, usually in the form of deposits with banks or financial institutions, which exposes 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 counterparty credit risks in relation to operating activities, which are continuously monitored by management.

Liquidity and Capital Resources

The Group is financed by share capital, internally-generated funds and external borrowings. As at 31 December 2013, the Group recorded share capital of HK$1,205 million and total equity of HK$11,336 million.

The cash and cash equivalents amounted to HK$209 million as at 31 December 2013 (2012: HK$182 million), 62% of which were denominated in Hong Kong dollars, 10% in Renminbi, 9% in United States dollars, 9% in Macau Patacas with remaining in various other currencies. As at 31 December 2013, the Group had bank borrowings of HK$4,571 million (2012: HK$3,746 million) which were denominated in Hong Kong dollars and repayable in June 2015. The gearing ratio, calculated by dividing net debt by net total capital, was 28% (2012: 24%) as at 31 December 2013, while the net debt to EBITDA was 1.6 times (2012: 1.2 times) as a result of net increase in borrowings of HK$800 million.

Cash Flows

The Group maintains a healthy financial position, benefiting from solid operating cash inflows. During the year ended 31 December 2013, net cash generated from operating activities and used in investing activities of the Group amounted to HK$1,735 million (2012: HK$2,888 million) and HK$1,571 million (2012: HK$1,945 million) respectively. Other than operating activities, major net outflow of funds under investing and financing activities during 2013 included payments for capital expenditure, investments in joint ventures for acquisition of radio spectrum and dividends.

Charges on Group Assets

As at 31 December 2013, same as prior year, except for all of the shares of a joint venture owned by the Group which were pledged as security in favour of the joint venture partner under a cross share pledge arrangement, no material asset of the Group was under any charge.

Capital Expenditure

Capital expenditure on property, plant and equipment for the year ended 31 December 2013 was HK$1,280 million (2012: HK$1,604 million), of which mobile and fixed-line businesses accounted for HK$657 million (2012: HK$879 million) and HK$623 million (2012: HK$725 million) respectively, reflecting our continued disciplined investment in network modernisation and expansion to support long-term business growth while implementing efficient cost management.

Acquisition of Radio Spectrum

During the year ended 31 December 2013, a joint venture that the Group has 50% interest, acquired a block of 10MHz spectrum in the 2600MHz band with a consideration of HK$290 million for the provision of mobile telecommunications services in Hong Kong for a period of 15 years.

Contingent Liabilities

As at 31 December 2013, the Group had contingent liabilities in respect of performance guarantees and financial guarantees amounting to HK$649 million (2012: HK$847 million). Included in these contingent liabilities were mainly performance bonds issued to the Office of the Communications Authority of Hong Kong in respect of our spectrum licence obligations.

Capital Commitments

As at 31 December 2013, the Group had total capital commitments of property, plant and equipment and investments in joint ventures amounting to HK$1,626 million (2012: HK$2,051 million).

Corporate Strategy

The strategy of the Group is to deliver sustainable returns with solid financial fundamentals, so as to enhance long-term total return for our shareholders. Please refer to the Chairman's Statement and Management Discussion and Analysis for discussions and analyses of the performance of the Group and the basis on which the Group generates or preserves value over the longer term and the strategy for delivering the objective of the Group.

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this announcement are historical in nature, and past performance is no guarantee for the future results of the Group. Any forward-looking statements and opinions contained within this announcement 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 within this announcement; 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.

Human Resources

As at 31 December 2013, the Group employed 1,934 (2012: 1,920) full-time staff members. Staff costs during the year ended 31 December 2013, including directors' emoluments, totalled HK$783 million (2012: HK$749 million).

The Group fully recognises the importance of high-quality human resources in sustaining market leadership. Salary and benefits are kept at competitive levels, while individual performance is rewarded within the general framework of the salary, bonus and incentive system of the Group, which is reviewed annually. Employees are provided with a wide range of benefits that include medical coverage, provident funds and retirement plans, long-service awards and a share option plan. The Group stresses the importance of staff development and provides training programmes on an ongoing basis. Employees are also encouraged to play an active role in community care activities arranged by the Group.

Environmental, Social and Governance Responsibility

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. We deliver quality products and services to our customers by managing our businesses prudently, while executing management decisions with due care and attention. The Group demonstrates a strong sense of corporate social responsibility and believes such a commitment helps strengthen our relationship with the community. Operating as a sound corporate citizen via sponsorship and supporting socially-responsible projects at company level, we are committed to bringing positive impact to the general welfare of the community.

Review of Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor’s report will be included in the Annual Report to shareholders.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 8 May 2014 to Tuesday, 13 May 2014, both days inclusive, for the purpose of determining shareholders’ entitlement to attend and vote at the 2014 Annual General Meeting.

In order to be eligible to attend and vote at the 2014 Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (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 p.m. on Wednesday, 7 May 2014.

Record Date for Proposed Final Dividend

The record date for the purpose of determining shareholders’ entitlement to the proposed final dividend is Monday, 19 May 2014.

In order to qualify for the entitlement to the proposed final dividend payable on Wednesday, 28 May 2014, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong Share Registrar of the Company (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 p.m. on Monday, 19 May 2014.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company. In addition, the Company has not redeemed any of its listed securities during the year.

Compliance with the Corporate Governance Code

The Company strives to attain and maintain high standards of corporate governance best suited to the needs and interests of the Group as it believes that effective corporate governance practices are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholder value.

The Company has complied throughout the year with all code provisions of the Corporate Governance Code contained in Appendix 14 of the Rule 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 as well as 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 Chief Executive Officer & Group Managing Director.

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

The Board has adopted its own Model Code for Securities Transactions by Directors (the "Securities Code") regulating Directors' dealings in securities (Group and otherwise), 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 of the Listing Rules. In response to specific enquiries made, all Directors of the Company confirmed that they have complied with the Securities Code in their securities transactions throughout 2013.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday, 13 May 2014. Notice of the Annual General Meeting will be published and issued to shareholders in due course.

As at the date of this announcement, the Directors of the Company are:

Chairman and Non-executive Director:
Mr FOK Kin Ning, Canning
(also Alternate to Mrs CHOW WOO Mo Fong, Susan)

Deputy Chairman and Non-executive Director:
Mr LUI Dennis Pok Man

Executive Director:
Mr WONG King Fai, Peter

Non-executive Directors:
Mrs CHOW WOO Mo Fong, Susan
Mr Frank John SIXT
Mr LAI Kai Ming, Dominic
(also Alternate to Mr Frank John SIXT)
Mr MA Lai Chee, Gerald
(Alternate to Mr LAI Kai Ming, Dominic)

Independent Non-executive Directors:
Mr CHEONG Ying Chew, Henry
(also Alternate to Dr WONG Yick Ming, Rosanna)
Dr LAN Hong Tsung, David
Dr WONG Yick Ming, Rosanna