SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 315)

2022 / 2023 INTERIM RESULTS ANNOUNCEMENT

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

- Reported profit attributable to equity holders was $256M, up 2% compared to $251M in the same period last year
- Service revenue and service EBITDA increased 4% to $2,333M and 2% to $1,261M, respectively, driven by a strong core local service business and reinforced by a recovery in roaming revenue which further accelerated since the end of December
- Mobile postpaid ARPU rose by 6% to $223
- The Board declares an interim dividend of 14.5 cents per share, same as last year

CHAIRMAN'S STATEMENT

Business review

For the period under review, the Company delivered a profit attributable to equity holders of $256M, 2% higher compared to $251M in the same period last year.

During the period, service revenue grew 4% and mobile postpaid ARPU was up 6% compared to the same period last year. The increase in ARPU was primarily driven by the continuing growth in 5G subscriptions supported by a modest roaming revenue recovery as Covid restrictions were gradually relaxed in the last few months of 2022. The customer base of SmarTone's 5G Home Broadband continued to grow strongly and this, together with the growth in the Enterprise Solutions portfolio, also contributed to the growth in revenue.

The inflationary environment has resulted in higher cost of operations and, in particular, the cost of electricity. Our strong cost discipline was able to partially offset such increases, through a variety of initiatives, including renegotiation of rental costs for cell sites. Notwithstanding the need to be cautious in CAPEX, priority continues to be given to investments that promote high growth areas, as well as those that enhance service and network quality.

One of the key priorities for the Company is upgrading its customers to 5G services. 5G offers great value for customers who pay a small premium but enjoy a substantially faster service. This upgrade also yields positive results for the Company with an increase in both customer numbers and ARPU. As of February 2023, 35% of our customers have become 5G users, and there is still strong momentum for further uptake. In parallel we have launched various initiatives to enable our customers to upgrade their phones to 5G phones so that they can enjoy faster connectivity and subscribe to our new service offerings.

SmarTone's 5G Home Broadband has continued to grow well, even though the need for "work-from-home" or "study-from-home" has receded. For households without fibre coverage, the service has a very compelling proposition – it is 10x-20x faster, is substantially cheaper, and is much easier to use. What is encouraging is that the service has also attracted households who *already* subscribed to fibre broadband. For some of these customers, whose fixed line broadband bill is exorbitantly high (usually because there is only one operator), SmarTone's 5G Home Broadband offers substantial cost savings. Customers also see the value and flexibility of having an additional 5G broadband service which they can use in their bedrooms or take to their office. The year-on-year growth of this service is high and going from strength to strength.

The Company has taken several initiatives to enhance its service to customers. We have rolled out a pilot for 40,000 of our customers who can now use WhatsApp to interact with our store staff for support as needed. The response has been satisfactory and now we will roll out the service more extensively. From 1 December 2022 customers will earn points in the "The Point" which is a Sun Hung Kai Properties Group loyalty program. Our subscribers can earn points on every dollar they spend in SmarTone, and those points can be used for many benefits such as free parking or spending credit in SHKP malls.

With regard to network performance, SmarTone's 5G provides exceptional coverage service to over 99% of the city's population. Notwithstanding the already expansive coverage, the Company continued to invest, and SmarTone's 5G network now extends, for instance, over to the new Tseung Kwan O – Lam Tin Tunnel and Cross Bay Link. SmarTone is also one of the only two operators which provides 5G coverage along Route 3, a crucial highway to the Northern Metropolis. By deploying multiple spectrum bands, the Company provides outstanding network performance across the territory and in both indoor and outdoor locations ranging from shopping malls, prime office buildings to country parks and village houses. SmarTone will continue its investment program to provide an ever-improving network experience to customers. In recognition of SmarTone's network quality, multiple influential magazines and journals have ranked the Company's 5G network as number one in Hong Kong.

Dividend

The Board declared an interim dividend of 14.5 cents per share, which is the same as last year. The Company intends to continue to pay a dividend equivalent to 75% of profit attributable to equity holders on a full-year basis.

Outlook

The mobile industry has remained competitive and pricing pressure continues. In addition, spectrum cost remains a major burden for the Company (and other Hong Kong operators). For the 2021/2022 financial year, the Company incurred ~$490M in spectrum cost and associated interest which exceeded the Company's annual profit in the same financial year. Hong Kong's policy is in stark contrast to mainland China or other countries like Japan, where spectrum is essentially free. What makes the situation worse is that the Inland Revenue Department is now treating spectrum cost as non-tax-deductible, which is a reversal of previous policies. We oppose such a treatment, because spectrum cost is a real operating cost, essential to our network operations. Such policies are creating disincentives for operators to invest further in the network, which, in our view, will hinder Hong Kong's development as a leading technology hub as set out in the National 14th 5-year Plan.

On the positive side, the reopening of Hong Kong and recently of China is a big boost not just to the economy, but also to our roaming revenue, which was a major source of income prior to the pandemic. The impact of such a reopening is small during this reported period, but already we are seeing a rapid uptake in January 2023. Our roaming revenue has rebounded to nearly 70% of pre-pandemic levels in January alone, and continues to show strong growth. In addition, we expect to continue to see positive uptake of 5G, together with a healthy growth of our 5G Home Broadband.

The Chief Executive's 2022 Policy Address highlights its support for mobile investment and development, especially with the new law that stipulates every new building will need to provide for network equipment space for free from 2024. This is a positive direction. The cost for renting mobile equipment space has been a major cost for operators and this new policy should help contain our cost of operations. The Government has also committed to opening up government premises for our use as soon as they are ready.

SmarTone is supportive of the 2022 Policy Address and its vision of Hong Kong as an international innovation and technology center. As a leading mobile operator, SmarTone will continue to invest in building out a world-class digital infrastructure to reinforce Hong Kong's development as a technology hub. This will further support the city's integration with China and the Greater Bay Area.

Appreciation

During the period under review, Mr. John Anthony Miller and Mrs. Ip Yeung See-ming, Christine retired by rotation as Non-Executive Director and Independent Non-Executive Director, respectively. I would like to thank Mr. Miller and Mrs. Ip for their valuable contribution at SmarTone over the years.

In December, Mr. Norman Tam tendered his resignation as Executive Director and Deputy Chief Executive Officer of the Company. The Board and I wish him well in his future endeavours.

I am pleased to welcome Ms. Fiona Lau onboard as an Executive Director and Chief Executive Officer of the Company. Fiona has been in leadership roles in a number of global companies as well as SUNeVision Holdings Limited, a subsidiary of Sun Hung Kai Properties Limited. At SUNeVision, she has a stellar track record in not just substantially enhancing the Company's performance, but also in bringing about a higher level of customer satisfaction. The same priorities will apply to SmarTone.

I would like to take this opportunity to express my gratitude to our customers and shareholders for their continuing support, and to my fellow directors for their guidance. To our staff, I would like to thank them for their commitment and professionalism as well as their dedication and hard work during the period.

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 22 February 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the period under review, the Group profit attributable to shareholders increased by 2% to $256 million (first half of 2021/22: $251 million) mainly driven by robust core local service business and reinforced by a recovery in roaming revenue.

Group service revenue increased by 4% to $2,333 million (first half of 2021/22: $2,242 million), primarily driven by the ongoing increase in 5G subscription, increase in 5G Home Broadband customer base, growth in Enterprise Solutions business, and modest roaming revenue recovery. Mobile postpaid exit ARPU increased 6% to $223 (first half of 2021/22: $210). Compared with the second half of 2021/22, Group service revenue increased by $87 million or 4%, mainly due to increase in local service revenue and roaming revenue.

Group's handset and accessory sales decreased by $73 million or 5% to $1,476 million when compared with $1,549 million for the same period last year, mainly due to weaker demand for 5G flagship phones in the market. Compared with the second half of 2021/22, Group's handset and accessory sales increased by $556 million or 61% due to seasonal impact of new 5G flagship phones launching.

As a result, Group total revenue increased by 1% to $3,809 million (first half of 2021/22: $3,792 million).

As at 31 December 2022, the Group's total Hong Kong subscriber number reduced slightly by 0.1 million to 2.6 million compared to last year of 2.7 million. The drop was solely contributed by the reduced prepaid subscribers as the Real Name Registration requirement has affected the prepaid card market across the industry. Excluding MVNO customers, the postpaid churn rate increased to 0.9% compared to last year at 0.7%.

Cost of inventories sold decreased by $34 million or 2% to $1,458 million (first half of 2021/22: $1,492 million), largely in line with the corresponding decrease in handset and accessory sales.

Staff costs increased by $41 million or 13% to $361 million (first half of 2021/22: $320 million) amid annual salary increment and increase in headcount.

Cost of services provided and other operating expenses increased by $29 million or 4% to $711 million (first half of 2021/22: $683 million). Cost of services rose to support the corresponding increase in Enterprise Solutions Services. Other operating expenses increased amid higher electricity expenses.

Group EBITDA decreased by $18 million to $1,279 million (first half of 2021/22: $1,297 million).

Depreciation, amortization and loss on disposal decreased by $18 million or 2% to $888 million (first half of 2021/22: $906 million) mainly due to decrease in depreciation of fixed asset offset by increase in amortization of spectrum utilization fee.

Group operating profit remained flat at $391 million.

Finance income increased by $32 million or 303% to $42 million (first half of 2021/22: $10 million) mainly due to higher bank deposit interest rate.

Finance costs increased by $12 million or 18% to $77 million (first half of 2021/22: $66 million) mainly due to higher accretion expense from spectrum utilization fee.

Income tax expense amounted to $100 million (first half of 2021/22: $83 million), reflecting an effective tax rate of 28.1% (first half of 2021/22: 24.9%). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, the related payments have been regarded as non-deductible on the books such that the Group's reported effective tax rate is higher than the statutory rate in Hong Kong of 16.5%. The Group will continue to vigorously defend its position and pursue tax deduction of the spectrum utilization fee from the Inland Revenue Department.

Capital structure, liquidity and financial resources

The Group maintained a strong balance sheet for the period under review. During the period, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 31 December 2022, the Group had a total equity of $5,230 million, including share capital of $111 million, and total borrowings of $1,495 million.

The Group's cash resources remained robust with cash and bank balances including short-term bank deposits of $2,402 million as at 31 December 2022 (30 June 2022: $2,141 million).

As at 31 December 2022, the Group had bank and other borrowings of $1,495 million (30 June 2022: $1,511 million) of which 96% were denominated in United States dollars and were arranged on a fixed rate basis. The Group was in a net cash position with net cash, including financial assets at amortized cost, amounted to $1,298 million as at 31 December 2022 (30 June 2022: $1,021 million).

The Group had net cash generated from operating activities, free cash flow and interest received of $1,245 million, $439 million and $23 million respectively during the period ended 31 December 2022. The Group's major outflows of funds during the period were payments for purchase of fixed assets, spectrum utilization fee, leases, dividends and repayment of bank borrowings.

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2023 with internal cash resources.

Treasury policy

The Group invests its surplus funds in accordance with a treasury policy approved from time to time by the board of directors. Surplus funds are placed in bank deposits and invested in financial assets at amortized cost. Bank deposits and financial assets at amortized cost are predominantly maintained in Hong Kong dollars and US dollars.

The Group is required to arrange for banks to issue performance bonds and letters of credit on its behalf. The Group may partially or fully collateralize such instruments by bank deposits to lower the issuance costs.

Charges on assets

Certain Hong Kong dollar denominated bank borrowings were secured by certain assets of the Group and the carrying amount of the pledged assets amounted to $67 million as at 31 December 2022 (30 June 2022: $68 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 4% of the Group's total borrowings at 31 December 2022. The remaining 96% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential increase in interest rates in the future. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, financial asset at fair value through other comprehensive income, financial assets at amortized cost, trade payables and bank and other borrowings denominated in United States dollars. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

As at 31 December 2022, the Group provided performance guarantees of $626 million (30 June 2022: $751 million).

Employees, share award scheme and share option scheme

The Group had 1,865 full-time employees as at 31 December 2022 (30 June 2022: 1,737), with the majority of them based in Hong Kong. Total staff costs were $361 million for the period ended 31 December 2022 (first half of 2021/22: $320 million).

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

A share award scheme was adopted by the Group as an incentive arrangement to recognize the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. During the period under review, 22,760 shares were lapsed. 395,045 shares (30 June 2022: 417,805) were outstanding as at 31 December 2022.

The Group has share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. During the period under review, 4,000,000 share options were granted and 4,000,000 share options were outstanding as at 31 December 2022 (30 June 2022: Nil).

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the "Company") is pleased to present the consolidated profit and loss account and the consolidated statement of comprehensive income for the six months ended 31 December 2022 and the consolidated balance sheet as at 31 December 2022 of the Company and its subsidiaries (the "Group"), all of which are unaudited and condensed, along with selected explanatory notes.

Condensed Consolidated Profit and Loss Account
For the six months ended 31 December 2022

	Notes	Unaudited six months ended 31 December **2022** **$000**	2021 $000
Service revenue and other related service		**2,333,030**	2,242,404
Handset and accessory sales		**1,475,981**	1,549,118
Revenues	3	**3,809,011**	3,791,522
Cost of inventories sold		**(1,457,910)**	(1,492,196)
Cost of services provided		**(207,803)**	(194,092)
Staff costs		**(360,871)**	(319,809)
Other operating expenses, net		**(503,362)**	(488,454)
Depreciation, amortization and loss on disposal	6	**(887,692)**	(906,066)
Operating profit		**391,373**	390,905
Finance income	4	**41,968**	10,416
Finance costs	5	**(77,376)**	(65,808)
Profit before income tax	6	**355,965**	335,513
Income tax expense	7	**(100,133)**	(83,436)
Profit after income tax		**255,832**	252,077
Profit attributable to			
Company's shareholders		**255,832**	251,383
Non-controlling interests		**-**	694
		255,832	252,077
Earnings per share for profit attributable to Company's shareholders during the period (expressed in cents per share)	8		
Basic		**23.1**	22.6
Diluted		**23.1**	22.6

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2022

	Unaudited six months ended 31 December	
	2022	2021
	$000	$000
Profit for the period	**255,832**	252,077
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	**(664)**	271
Item that will not be reclassified subsequently to profit and loss:		
Fair value loss on financial asset at fair value through other comprehensive income	**(8,221)**	(2,632)
Other comprehensive loss for the period	**(8,885)**	(2,361)
Total comprehensive income for the period	**246,947**	249,716
Total comprehensive income attributable to		
Company's shareholders	**246,947**	249,022
Non-controlling interests	**-**	694
	246,947	249,716

Condensed Consolidated Balance Sheet
As at 31 December 2022 and 30 June 2022

	Notes	**Unaudited 31 December 2022 $000**	Audited 30 June 2022 $000
Non-current assets			
Fixed assets		**2,795,460**	2,736,212
Customer acquisition costs		**91,557**	87,608
Contract assets		**44,086**	42,747
Right-of-use assets		**854,027**	917,635
Interest in an associate		**3**	3
Financial asset at fair value through other comprehensive income		**7,973**	16,194
Financial assets at amortized cost		**256,525**	336,973
Intangible assets		**4,668,076**	4,904,742
Deposits and prepayments		**110,297**	130,145
Deferred income tax assets		**6,994**	7,468
Total non-current assets		**8,834,998**	9,179,727
Current assets			
Cash and cash equivalents		**815,650**	385,467
Short-term bank deposits		**1,586,561**	1,755,049
Contract assets		**84,023**	88,312
Trade receivables	10	**383,698**	343,809
Deposits and prepayments		**223,271**	243,751
Other receivables		**102,116**	82,402
Financial assets at amortized cost		**134,017**	54,783
Inventories		**180,918**	100,036
Tax reserve certificate		**345,296**	347,796
Total current assets		**3,855,550**	3,401,405
Current liabilities			
Trade payables	11	**324,482**	239,453
Other payables and accruals		**744,515**	723,543
Contract liabilities		**355,694**	332,394
Lease liabilities		**603,916**	576,299
Current income tax liabilities		**628,041**	557,318
Bank and other borrowings		**1,431,358**	1,444,812
Spectrum utilization fee liabilities		**220,245**	217,609
Total current liabilities		**4,308,251**	4,091,428

Condensed Consolidated Balance Sheet
As at 31 December 2022 and 30 June 2022

	Unaudited 31 December 2022 $000	Audited 30 June 2022 $000
Non-current liabilities		
Asset retirement obligations	**61,605**	75,710
Contract liabilities	**7,866**	14,455
Lease liabilities	**271,576**	328,522
Bank borrowings	**63,800**	66,000
Spectrum utilization fee liabilities	**2,610,712**	2,734,426
Deferred income tax liabilities	**137,062**	116,807
Total non-current liabilities	**3,152,621**	3,335,920
Net assets	**5,229,676**	5,153,784
Capital and reserves		
Share capital	**110,526**	110,579
Reserves	**5,119,150**	5,043,205
Total equity	**5,229,676**	5,153,784

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated interim financial statements ("Interim Financial Statements") are presented in Hong Kong dollars, unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 22 February 2023.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2022 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). These Interim Financial Statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income, measured at fair value, and on a going concern basis.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2022, as described in those annual financial statements except for the adoption of the amendments to standards as set out below.

(a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting commencing 1 July 2022.

Annual Improvements Project	Annual Improvements 2018-2020 Cycle
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
AG 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of these amendments to standards have no significant impact on these Interim Financial Statements.

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

2 Basis of preparation *(continued)*

(b) New standards, amendments to standards and interpretations to existing standards not yet adopted

Certain new standards, amendments to standards and interpretations to existing standards have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group.

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[1]
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
HKAS 8 (Amendments)	Definition of Account Estimates[1]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 17	Insurance Contracts[1]
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 The original effective date of 1 January 2016 has been postponed until further announcement.

3 Segment reporting

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

The CODM examines the Group's performance from a geographic perspective based on the location in which the sale originated. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortization and loss on disposal ("EBITDA") and operating profit.

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

(a) Segment results

	Unaudited six months ended 31 December 2022			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
External revenue	**3,643,851**	**165,160**	**-**	**3,809,011**
Inter-segment revenue	**143,947**	**1,667**	**(145,614)**	**-**
Total revenue	**3,787,798**	**166,827**	**(145,614)**	**3,809,011**
Timing of revenue recognition				
At a point in time	**1,473,371**	**145,999**	**(143,389)**	**1,475,981**
Over time	**2,314,427**	**20,828**	**(2,225)**	**2,333,030**
	3,787,798	**166,827**	**(145,614)**	**3,809,011**
EBITDA	**1,288,856**	**(9,791)**	**-**	**1,279,065**
Depreciation, amortization and loss on disposal	**(882,749)**	**(4,943)**	**-**	**(887,692)**
Operating profit/(loss)	**406,107**	**(14,734)**	**-**	**391,373**
Finance income				**41,968**
Finance costs				**(77,376)**
Profit before income tax				**355,965**

3 Segment reporting *(continued)*

(a) Segment results *(continued)*

	Unaudited six months ended 31 December 2021			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
External revenue	3,531,908	259,614	-	3,791,522
Inter-segment revenue	221,537	3,603	(225,140)	-
Total revenue	3,753,445	263,217	(225,140)	3,791,522
Timing of revenue recognition				
At a point in time	1,537,744	231,976	(220,602)	1,549,118
Over time	2,215,701	31,241	(4,538)	2,242,404
	3,753,445	263,217	(225,140)	3,791,522
EBITDA	1,290,170	6,801	-	1,296,971
Depreciation, amortization and loss on disposal	(902,673)	(3,393)	-	(906,066)
Operating profit	387,497	3,408	-	390,905
Finance income				10,416
Finance costs				(65,808)
Profit before income tax				335,513

3 **Segment reporting** *(continued)*

(b) Segment assets/(liabilities)

	At 31 December 2022 (Unaudited)			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**11,840,677**	**99,063**	**750,808**	**12,690,548**
Segment liabilities	**(6,591,043)**	**(104,726)**	**(765,103)**	**(7,460,872)**

	At 30 June 2022 (Audited)			
	Hong Kong	Macau	Unallocated	Consolidated
	$000	$000	$000	$000
Segment assets	11,710,180	107,735	763,217	12,581,132
Segment liabilities	(6,645,946)	(107,277)	(674,125)	(7,427,348)

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

4 **Finance income**

	Unaudited six months ended 31 December	
	2022	2021
	$000	$000
Interest income from bank deposits	**31,894**	3,202
Interest income from financial assets at amortized cost	**10,074**	11,425
Expected credit loss on financial assets at amortized cost	**-**	(4,300)
Accretion income	**-**	89
	41,968	10,416

During the six months ended 31 December 2021, expected credit loss of $4,300,000 was recognized to reflect the change in credit risk for the financial assets at amortized cost.

5 Finance costs

	Unaudited six months ended 31 December 2022 $000	2021 $000
Interest expense on bank and other borrowings	**30,398**	31,477
Accretion expenses		
Spectrum utilization fee liabilities	**34,946**	22,915
Lease liabilities	**7,594**	6,884
Asset retirement obligations	**436**	224
Net exchange loss on financing activities	**4,002**	4,308
	77,376	65,808

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

6 Profit before income tax

Profit before income tax is stated after charging/(crediting) the following:

	Unaudited six months ended 31 December 2022 $000	2021 $000
Other operating expenses, net		
- Network costs	**284,531**	269,509
- Short-term and low-value leases	**16,931**	20,710
- Impairment loss of trade receivables (note 10)	**1,552**	2,662
- Net exchange (gain)/loss	**(2,741)**	1,265
- Others	**203,089**	194,308
Loss on disposal of fixed assets	**2,798**	8,195
Depreciation of fixed assets	**270,975**	321,202
Depreciation of right-of-use assets	**334,473**	339,846
Amortization of spectrum utilization fee	**236,666**	197,562
Amortization of customer acquisition costs	**42,780**	39,261
Share-based payments	**1,733**	1,648

7 Income tax expense

	Unaudited six months ended 31 December	
	2022	2021
	$000	$000
Current income tax		
Hong Kong profits tax	**84,655**	79,268
Overseas tax	**888**	1,025
Over-provision in prior years		
Hong Kong profits tax	**(6,139)**	(1,027)
Overseas tax	**-**	(167)
Total current income tax expense	**79,404**	79,099
Deferred income tax		
Decrease/(increase) in deferred income tax assets	**475**	(4,533)
Increase in deferred income tax liabilities	**20,254**	8,870
Total deferred income tax expense	**20,729**	4,337
Income tax expense	**100,133**	83,436

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

8 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to Company's shareholders
- by the weighted average number of ordinary shares outstanding during the period and excluding shares held for share award scheme.

	Unaudited six months ended 31 December	
	2022	2021
	Cents	Cents
Total basic earnings per share attributable to Company's shareholders	**23.1**	22.6

8 Earnings per share *(continued)*

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Unaudited six months ended 31 December	
	2022	2021
	Cents	Cents
Total diluted earnings per share attributable to Company's shareholders	**23.1**	22.6

(c) Reconciliations of earnings used in calculating earnings per share

	Unaudited six months ended 31 December	
	2022	2021
	$000	$000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	**255,832**	251,383

8 Earnings per share *(continued)*

(d) Weighted average number of shares used as the denominator

	Unaudited six months ended 31 December	
	2022	2021
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	**1,105,412,303**	1,110,580,570
Adjustments for calculation of diluted earnings per share:		
Effect of awarded shares	**50,852**	20,422
Effect of share options	**23,246**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,105,486,401**	1,110,600,992

9 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2022	2021
	$000	$000
Interim dividend declared of 14.5 cents (2021: 14.5 cents) per fully paid share	**160,437**	160,767

At a meeting held on 22 February 2023, the directors declared an interim dividend of 14.5 cents per fully paid share for the year ending 30 June 2023. The interim dividend declared is not reflected as a dividend payable in these Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2023.

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

9 Dividends *(continued)*

(b) Attributable to prior year paid in the period

	Unaudited six months ended 31 December	
	2022	2021
	$000	$000
Final dividend of 15.5 cents (2021: 15.5 cents) per fully paid share	**171,325**	172,203

10 Trade receivables

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

	Unaudited 31 December 2022	Audited 30 June 2022
	$000	$000
Current to 30 days	**316,461**	269,957
31 - 60 days	**24,000**	19,284
61 - 90 days	**3,305**	6,902
Over 90 days	**39,932**	47,666
	383,698	343,809

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in a loss of $1,552,000 (2021: $2,662,000) for the impairment of its trade receivables during the six months ended 31 December 2022.

11 Trade payables

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

	Unaudited 31 December 2022	Audited 30 June 2022
	$000	$000
Current to 30 days	**208,996**	141,516
31 - 60 days	**46,843**	42,727
61 - 90 days	**27,903**	12,250
Over 90 days	**40,740**	42,960
	324,482	239,453

INTERIM DIVIDEND

The Directors declared an interim dividend of 14.5 cents per share for the six months ended 31 December 2022 (2021: 14.5 cents). The interim dividend will be paid in cash on or about Friday, 17 March 2023 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim dividend is Wednesday, 8 March 2023. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Wednesday, 8 March 2023 during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 7 March 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2022, the Company repurchased 359,500 shares of the Company on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled prior to 31 December 2022. Details of the repurchases were as follows:

	Number of shares	Price per share		Aggregate
Month of repurchase	repurchased	Highest	Lowest	price paid
		$	$	$
September 2022	151,000	4.12	4.12	622,000
October 2022	147,500	4.13	4.08	605,000
November 2022	61,000	3.87	3.84	236,000
	359,500			1,463,000

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, at no time during the six months ended 31 December 2022 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the interim financial statements of the Group for the six months ended 31 December 2022 as well as the report of the Risk Management Committee and the report of Internal Audit. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are appropriate and in line with the market participants in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the risk management and internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2022 have not been audited but have been reviewed by the Company's external auditor.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2022, the Company has applied the principles and complied with the requirements set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision C.1.6 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. John Anthony Miller, Non-Executive Director, and Mr. Gan Fock-kin, Eric, Mrs. Ip Yeung See-ming, Christine and Mr. Lam Kwok-fung, Kenny, Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 1 November 2022 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 67% of all independent non-executive and non-executive members of the Board at the time) attended the said meeting in person to listen to the views expressed by the shareholders.

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

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

Hong Kong, 22 February 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Ms. LAU Yeuk-hung, Fiona (Chief Executive Officer), Mr. TAM Lok-man, Norman (Deputy Chief Executive Officer) and Mr. CHAU Kam-kun, Stephen; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (Deputy Chairman), Mr. David Norman PRINCE and Mr. SIU Hon-wah, Thomas; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. GAN Fock-kin, Eric, Mr. LAM Kwok-fung, Kenny, Mr. LEE Yau-tat, Samuel and Mr. Peter KUNG.