

SmarTone Telecommunications Holdings Limited

Stock Code: 0315

INTERIM REPORT 2022/23

SmarTone 5G Best Connectivity



SmarTone 5G
The Widest Coverage
in HK[^]

Most
Spectrum Resources
per Customer in HK^{*}

Most Low-band
Spectrum in HK⁺
Better Indoor
Performance

No.1
MTR 5G Network[~]

No.1
Consumers'
Best Preferred
5G Network*
SmarTone

[^]Consumers' No.1 Best Preferred 5G Network* is based on results obtained from study conducted by market research company NuanceTree, as commissioned by SmarTone. 771 post-paid SIM card users were interviewed via online survey and street interviews between July and Sep 2020. [~]The Widest Coverage in HK[^] is based on results obtained from SmarTone's road test conducted on 04 May 2022. The route of the road test covers major roads including expressways, trunk roads, tunnels and bridges. 5G coverage is defined as spot with received 5G radio signal level not weaker than -95dBm. ⁺The customer number of SmarTone and Hong Kong's 3 other 5G service providers are obtained from press release dated 25 June 2021 and latest performance reports dated 30 June 2021. Spectrum per customer is calculated by dividing available spectrum to each network provider by their number of customers. ^{*}After 30 June 2022, SmarTone has 45MHz of sub-1 GHz spectrum. The other 3 network service providers in Hong Kong only have 40MHz or less of sub-1 GHz spectrum. [~]No.1 MTR 5G Network[~] is based on results obtained from SmarTone's network speed test conducted in Apr 2022. SmarTone compared 5G download speed in 90 MTR stations with Hong Kong's 3 other 5G service providers and result found that SmarTone has the best network in terms of the numbers of stations having faster download speed when compared to the 3 other 5G service providers. The test used Samsung Galaxy S20 or iPhone 12 and was conducted during busy hours (1800 - 1930). The test result is based on the average figures of 3 times test at the station.

ABOUT US

SmarTone Telecommunications Holdings Limited (0315.HK), listed in Hong Kong since 1996 and a subsidiary of Sun Hung Kai Properties Limited, is a leading telecommunications provider with operating subsidiaries in Hong Kong and Macau, offering voice, multimedia and mobile broadband services, as well as fixed fibre broadband services for both consumer and corporate markets. SmarTone spearheaded 5G development in Hong Kong since May 2020, with the launch of its territory-wide 5G services.

SmarTone is your smart partner that delivers a trusted and connected experience through our high-quality network, people-driven products and services combined with innovation, passion and understanding of customer needs.

SmarTone differentiates our content, excellent customer service, business and consumer products for all our Hong Kong customers, allowing them to live and feel smarter everyday. This strong presence is also backed by expert technical know-how, over 30 stores across Hong Kong, our 5 core brands and our innovative business strategies arm.

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BUSINESS HIGHLIGHTS

Drive for digital transformation to accelerate 5G development in Hong Kong

1. Technology Leadership

SmarTone's 5G provides exceptional coverage service to over 99% of the city's population. Recently, SmarTone's 5G network has been extended to the new Tseung Kwan O – Lam Tin Tunnel and Cross Bay Link, to provide customers a quality, fast and stable 5G network experience.



"SmarTone 5G Ednovation Programme" integrates 5G technology with emerging technology and applications such as Internet-of-Things, artificial intelligence, virtual reality and more to schools, offering innovative solutions such as **"5G Smart Hydroponics Planting System"** to enhance teaching efficiency and arouse interest in STEM learning.



BUSINESS HIGHLIGHTS

SmartTone Solutions pioneers the development of 5G technology and helps enterprises integrate emerging technologies for digital transformations and propel Hong Kong to becoming a smart city.



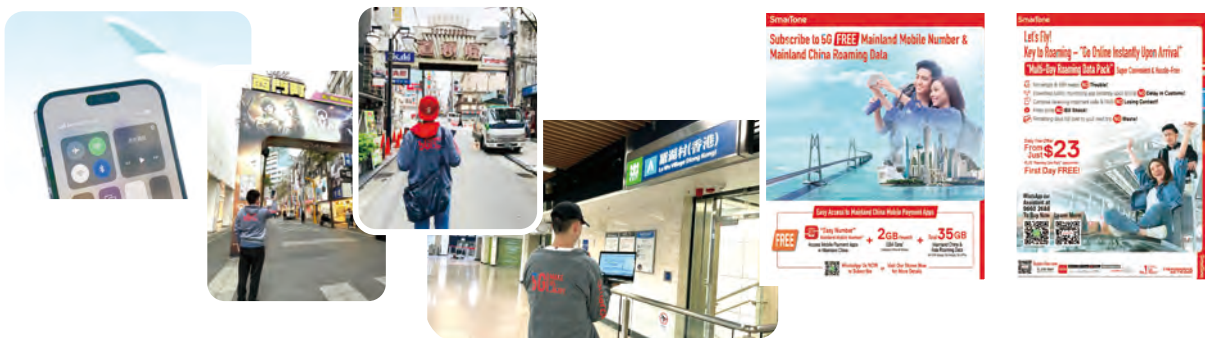
SmartTone **Home 5G Broadband** provides a cheaper alternative for customers suffering from expensive fees as they are served by a single fixed-line operator, and to solve fixed-line blind spot at home. We are also the first in the telecom market to launch a smartphone app for customers to enjoy the best Home 5G Broadband experience.



BUSINESS HIGHLIGHTS

2. Customer-Centric Strategy

SmarTone has been offering outstanding products and services for its customers to meet their needs. Following the resumption of travel, our **high-quality roaming service** enables customers to go online instantly upon arrival without changing SIMs and setups. We also conducted network experience tests at popular overseas destinations to ensure the best roaming experiences for customers.



Given the rise of cyberattacks, SmarTone's **"Cyber & Voice Security"** comes with both **"Data Guard"** and **"Call Guard"**. "Data Guard" provides comprehensive protection for customers' phone, web and Wi-Fi access. "Call Guard" blocks junk calls at the mobile network before they reach customers' phones. We further protect customers' smartphone safety with "Mobile Threat Inspector Service".



The **SmarTone Plus premium membership programme** has been delivering a world of prestige to customers, including birthday celebrations, selected offers, priority and privileges, refined experiences as well as flash surprises. SmarTone also collaborates with The Point, an integrated loyalty programme by Sun Hung Kai Properties. SmarTone's customers can convert their eligible spending at SmarTone into The Point bonus points for spending as cash at 25 selected SHKP malls, enjoy free parking and catering privileges, and redeem rewards at a SmarTone-designated page on The Point App.



BUSINESS HIGHLIGHTS

3. Digitalisation

Full digital brand **"Birdie"** continues to partner with major brands in the city, offering promotions that benefit our customers to elevate its young brand image and customer loyalty.



SmarTone is embracing the rising need for **digitalisation** by offering our signature caring services online through dedicated WhatsApp channel, website and SmarTone CARE App. SmarTone Online Store was presented the "2022 Top 10 Quality E-Shop Award" by Hong Kong Retail Management Association, in recognition of its best online customer experience.



CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

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.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

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.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

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

(Financial figures are expressed in Hong Kong dollars)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

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).

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

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).

DIRECTORS PROFILE

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

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

Mr. Kwok is the chairman and managing director of Sun Hung Kai Properties Limited ("SHKP"). He is also a director of Cellular 8 Holdings Limited ("Cellular 8") and TFS Development Company Limited ("TFS"). SHKP, Cellular 8 and TFS are the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is also the chairman and an executive director of SUNeVision Holdings Ltd., and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the Council of The Chinese University of Hong Kong.

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

For the financial year ended 30 June 2022, Mr. Kwok received a fee of HK\$180,000. Except the above fee, Mr. Kwok did not receive any other emoluments during the said financial year.

CHEUNG Wing-yui *Deputy Chairman & Non-Executive Director*

Mr. Cheung Wing-yui was appointed Director of the Company in March 2003. Mr. Cheung received a Bachelor of Commerce degree in accountancy from The University of New South Wales, Australia and is a member of the CPA Australia. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. Mr. Cheung was also admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

Mr. Cheung is a vice chairman and a non-executive director of SUNeVision Holdings Ltd. He is also a non-executive director of Tai Sang Land Development Limited, Tianjin Development Holdings Limited and Transport International Holdings Limited. He is a non-executive director of Sun Hung Kai Properties Insurance Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited.

Mr. Cheung is currently a member of Sponsorship & Development Fund Committee and a court member of Hong Kong Metropolitan University, a director of the Community Chest of Hong Kong Limited, and an honorary council member of The Hong Kong Institute of Directors Limited. He had held the positions of deputy chairman of the council of Hong Kong Metropolitan University, the deputy chairman of The Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong and a member of the Board of Review (Inland Revenue Ordinance).

Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013.

Mr. Cheung was awarded an honorary degree of Doctor of Business Administration from Hong Kong Metropolitan University in 2016.

For the financial year ended 30 June 2022, Mr. Cheung received a fee of HK\$162,000. Except the above fee, Mr. Cheung did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

FUNG Yuk-lun, Allen *Deputy Chairman & Executive Director*

Mr. Allen Fung was appointed Non-Executive Director of the Company in December 2013 and was re-designated as Executive Director in August 2020. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993 to 1994 and a visiting Assistant Professor of History at Brown University in 1996 to 1997. From 1997 to 2013, Mr. Fung worked in McKinsey & Company (“McKinsey”), a global management consulting company. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally.

Mr. Fung is an executive director and a member of the executive committee of Sun Hung Kai Properties Limited (“SHKP”), as well as the chief executive officer of the SHKP group’s non-property related portfolio investments. He is also a director of certain subsidiaries of SHKP. Mr. Fung is a vice chairman and an executive director of SUNeVision Holdings Ltd., and a non-executive director of Transport International Holdings Limited.

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the vice president of The Hong Kong Federation of Youth Groups, and has been elected a Professor of Practice at The Hong Kong Management Association, and the vice chairman of the board of The Hong Kong Philharmonic Society Limited. Mr. Fung is a board member of the Hong Kong Tourism Board, and a member of the Museum Advisory Committee of the Leisure and Cultural Services Department of the Government of the Hong Kong Special Administrative Region.

Mr. Fung is also a member of the Remuneration Committee of the Company, and a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2022, Mr. Fung received a fee of HK\$162,000. Except the above fee, Mr. Fung did not receive any other emoluments during the said financial year.

LAU Yeuk-hung, Fiona *Executive Director & Chief Executive Officer*

Ms. Fiona Lau was appointed Executive Director and Chief Executive Officer of the Company in February 2023.

Prior to joining SmarTone, Ms. Lau was an executive director and the chief commercial officer of SUNeVision Holdings Ltd. (“SUNeVision”). Since 2017, she has taken up various sales and business development roles in SUNeVision, spearheading the transformation of the company into a customer-centric organization. Ms. Lau is currently a non-executive director of SUNeVision.

Prior to joining Sun Hung Kai Properties Limited in 2017 and taking up various leadership roles at SUNeVision, Ms. Lau was a director at BlackRock Asset Management (North Asia), where she held a number of senior positions across the chairman’s office, corporate strategy, and retail and private banking functions from 2010 to 2017. Between 2005 and 2010 she worked in McKinsey & Company and held the position of engagement manager.

A graduate of The University of Chicago, Ms. Lau holds a Bachelor of Arts degree in Philosophy.

Ms. Lau is also a director of certain subsidiaries of the Company.

DIRECTORS PROFILE

TAM Lok-man, Norman *Executive Director & Deputy Chief Executive Officer*

Mr. Norman Tam was appointed Executive Director and Deputy Chief Executive Officer of the Company in November 2021.

Prior to joining the Company, Mr. Tam was a vice president of Tencent Cloud International, vice president of JOOX Music, and the chief executive of WeChat Pay Hong Kong Limited. He is a seasoned entrepreneur and executive with twenty-plus years of experience in product development, operation management, and startup investment in the Internet and technology sector.

During his time at Tencent, Mr. Tam developed the international business of various areas including social networks, online advertising, digital payment, online entertainment and cloud computing. He was also active in driving both B2B and B2C businesses expansion covering enterprises and mass consumers in his scope of responsibilities.

Prior to Tencent, Mr. Tam worked at two international investment banks and co-founded two Internet startups on education and gaming. He graduated from the University of Wisconsin – Madison with a Bachelor's degree in Information System and Computer Science.

Mr. Tam is a director of Save the Children Hong Kong.

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

For the financial year ended 30 June 2022, Mr. Tam received salaries (including allowances, retirement scheme contributions and estimated money value of other benefits) and director's fee of HK\$3,270,000 and HK\$90,000 respectively.

DIRECTORS PROFILE

CHAU Kam-kun, Stephen *Executive Director*

Mr. Stephen Chau was appointed Executive Director of the Company in April 2015. He has been with the Company since 1993. He joined the Company as Head of Operations and was made Chief Technology Officer since 1999. He has been responsible for the Company's information and communications technology strategy, roadmap and deployment; he has also led the Company in a number of commercial initiatives.

Mr. Chau's leadership has shaped the Company's technological innovations, impacting all areas of business operations and establishing sustainable competitive advantages. He is responsible for the Company's high performance network, which is widely recognized for its superior voice and data experience. He is the architect of the Company's advanced service platform which enables its many proprietary services, offering differentiation in the marketplace and real value to customers. Mr. Chau also oversees the evolution of the Company's industry leading customer management and support systems enabling frontline staff to provide award-winning customer care.

Mr. Chau has held various senior management positions in telecommunications companies. He is a member of The Institution of Engineering and Technology (IET), UK and a Chartered Engineer of the Institute of Electrical Engineers, UK.

Mr. Chau is a Board Director of the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and a member of its Technology Review Panel. He is a member of the Executive Committee of the Communications Association of Hong Kong (CAHK).

Mr. Chau is also a member of the Advisory Committee of the Department of Electronic Engineering of The Chinese University of Hong Kong and the Departmental Advisory Committee of the Department of Electronic Engineering of City University of Hong Kong.

Mr. Chau is a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2022, Mr. Chau received salaries (including allowances, retirement scheme contributions and estimated money value of other benefits), bonus, share-based payment and director's fee of HK\$6,802,000, HK\$1,500,000, HK\$53,000 and HK\$144,000 respectively.

DIRECTORS PROFILE

David Norman PRINCE *Non-Executive Director*

Mr. David Prince was appointed Director of the Company in July 2005. Mr. Prince has over 20 years' experience of operating at board level in an international environment. Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK). He is a non-executive director of SUNeVision Holdings Ltd. He is also a director of Wilson Group Limited and a consultant of Sun Hung Kai Real Estate Agency Limited, both are wholly-owned subsidiaries of Sun Hung Kai Properties Limited.

Mr. Prince is currently a non-executive director and a member of the audit committee and the governance and nomination committee of Adecco SA which is the global leader in human resources services.

Mr. Prince was group finance director of Cable and Wireless plc. until December 2003 and prior to this, spent some 12 years working in the telecommunications industry in Hong Kong, Mainland China and Asia. From 1994 to 2000, he was finance director and latterly deputy chief executive officer of Hong Kong Telecommunications Limited until it was acquired by PCCW in 2000. He went on to join PCCW plc. as group chief financial officer. In 2002, he left PCCW to join Cable and Wireless as group finance director. Prior to his time in Hong Kong he held senior management roles for Cable and Wireless. His early career was spent in the gas, oil and electronic industries within Europe and the USA.

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

For the financial year ended 30 June 2022, Mr. Prince received a fee of HK\$144,000. Except the above fee, Mr. Prince did not receive any other emoluments during the said financial year.

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

Mr. Thomas Siu was appointed Director of the Company in July 2008. Mr. Siu was the managing director of Wilson Group, which is a major transport infrastructure services provider in Hong Kong and is wholly-owned by Sun Hung Kai Properties Limited, and is currently a consultant of Wilson Group. Prior to joining Wilson Group, Mr. Siu had more than 25 years of experience in telecommunications and IT sectors. His experience covers finance, business operations and development. Mr. Siu is also a non-executive director of SUNeVision Holdings Ltd.

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

For the financial year ended 30 June 2022, Mr. Siu received a fee of HK\$144,000. Except the above fee, Mr. Siu did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

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

Dr. Eric Li, GBS, OBE, JP, LLD, DSocSc., HonDSocSc (EdUHK), B.A., FCPA (Practising), FCA, FCPA (Aust.), was appointed Director of the Company in October 1996. Dr. Li is the honorary chairman of SHINEWING (HK) CPA Limited.

Dr. Li is an independent non-executive director of Sun Hung Kai Properties Limited, Transport International Holdings Limited, Wong's International Holdings Limited and China Resources Beer (Holdings) Company Limited. Dr. Li was an independent non-executive director of Hang Seng Bank Limited.

Dr. Li is a member of the 10th, 11th, 12th and 13th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong and chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

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

For the financial year ended 30 June 2022, Dr. Li received a fee of HK\$288,000 including the fee for acting as the chairman of the Audit Committee of the Company. Except the above fee, Dr. Li did not receive any other emoluments during the said financial year.

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

Mr. Ng Leung-sing was appointed Director of the Company in June 1997. Mr. Ng is chairman of Bank of China (Hong Kong) Trustees Limited and a director of BOCHK Charitable Foundation. He is also an independent non-executive director of Nine Dragons Paper (Holdings) Limited and Grand Brilliance Group Holdings Limited.

Mr. Ng is a Hong Kong Deputy to the 10th, 11th, 12th and 13th National People's Congress of the People's Republic of China.

Mr. Ng was the vice-chairman of Chiyu Banking Corporation Limited from 2002 to 2017, general manager of the Bank-wide Operation Department of Bank of China (Hong Kong) Limited from 2005 to 2009, and executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was the Chinese Representative of the Sino-British Land Commission and the trustee of the Hong Kong Government Land Fund from 1988 to 1997, a member of the Corporate Contribution Program Organization Committee of The Community Chest of Hong Kong from 1992 to 1996, a member of the Legislative Council of Hong Kong from 1996 to 2004 and from 2012 to 2016, a member of the Hong Kong Housing Authority from 1996 to 2004, a member of the Court of Lingnan University from 1999 to 2011, a member of the managing board of the Kowloon-Canton Railway Corporation from 2004 to 2007, and a member of the board of management of the Chinese Permanent Cemeteries from 2009 to 2015. Mr. Ng was also an independent non-executive director of MTR Corporation Limited from 2007 to 2017, a director of The Hong Kong Mortgage Corporation Limited from 2014 to 2018 and an independent non-executive director of Hanhua Financial Holding Co., Ltd. from 2013 to 15 October 2022.

Mr. Ng was appointed as the Justice of the Peace in 2001, and was awarded the Silver Bauhinia Star by the HKSAR government in 2004.

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

For the financial year ended 30 June 2022, Mr. Ng received a fee of HK\$288,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Ng did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

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

Mr. Eric Gan was appointed Director of the Company in December 2005. Mr. Gan is founder and president of eAccess Ltd., the fourth mobile operator (EMOBILE brand) in Japan which become a wholly-owned subsidiary of SoftBank Corp in 2013. Mr. Gan is currently an executive vice president of Softbank Corp.

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

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

For the financial year ended 30 June 2022, Mr. Gan received a fee of HK\$288,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Gan did not receive any other emoluments during the said financial year.

LAM Kwok-fung, Kenny *Independent Non-Executive Director*

Mr. Kenny Lam was appointed Director of the Company in March 2017.

Mr. Lam is currently chief executive officer of Two Sigma Asia Pacific, Limited and head of the Asia Pacific region of Two Sigma. Mr. Lam is also an independent non-executive director of Bank of East Asia (China) Limited and Shui On Xintiandi Limited.

Mr. Lam was group president of Noah Holdings Limited (Listed on the New York Stock Exchange) until March 2019. Prior to Noah, Mr. Lam was a global partner at McKinsey & Company based in Hong Kong, a co-Leader of the firm's Asia Financial Institutions Practice, and head of its Asia Private Banking and Asset Management Practice. Before McKinsey, Mr. Lam was with American law firm Shearman & Sterling in New York and Hong Kong.

Mr. Lam is a member of the Asia Business Leaders Advisory Council for the Government of Canada (under the Asia Pacific Foundation), and a member of the Executive Board for Asia of the Wharton School of the University of Pennsylvania.

Mr. Lam graduated with a MA (Honours) in Law from Oxford University and magna cum laude with a BS in Finance from the Wharton School of the University of Pennsylvania, where he was a Joseph Wharton Scholar and a Benjamin Franklin Scholar.

For the financial year ended 30 June 2022, Mr. Lam received a fee of HK\$144,000. Except the above fee, Mr. Lam did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

LEE Yau-tat, Samuel *Independent Non-Executive Director*

Mr. Samuel Lee was appointed Director of the Company in April 2021.

Mr. Lee is the chief executive officer of Digital Edge DC. He co-founded the company in 2020 with an aim in transforming the data center business and building digital infrastructure platforms for businesses in Asia-Pacific. With more than 25 years of experiences in the IT and telecom industry, Mr. Lee is widely recognized as a dynamic and forward-looking business leader, with proven track record in driving business growth and expanding the data center business footprint in the Asia-Pacific region.

Prior to joining Digital Edge DC, Mr. Lee was the President of Equinix Asia-Pacific, overseeing the company's management, strategy and growth in the region. In this role, he successfully led the growth and expansion of the company's business, including its acquisitions of Asia Tone, Bit-isle and Metronode, and the ongoing integration of the company's regional operations into its global business. Under his leadership, Equinix's business in Asia-Pacific had undergone rapid expansion to become one of the market leaders in the region with more than 40 data centers in 12 markets, and with its revenue to reach US\$1 billion. Mr. Lee also held senior management positions at various leading technology companies, including Pacific Gateway Exchange, Teleglobe International, Intel and Sprint. In addition, he was the founder of a consulting firm offering strategic consultation services to network providers in Asia. Mr. Lee has been a senior advisor for Sun Hung Kai Real Estate Agency Limited since September 2019.

Mr. Lee holds a Bachelor of Arts degree in International Business from the City University of Hong Kong.

For the financial year ended 30 June 2022, Mr. Lee received a fee of HK\$144,000. Except the above fee, Mr. Lee did not receive any other emoluments during the said financial year.

Peter KUNG *Independent Non-Executive Director*

Mr. Peter Kung was appointed Director of the Company in March 2022.

Mr. Kung is a member of the 13th and 14th National Committee of the Chinese People's Political Consultative Conference. He is currently Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong & Macao and Guangdong-HK-Macao Bay Area Entrepreneurs Union.

Mr. Kung graduated from the University of Liverpool in 1984. He is Associate Member of the Institute of Chartered Accountants in England and Wales and Fellow of the Hong Kong Institute of Certified Public Accountants. He is also Fellow of the Taxation Institute of Hong Kong and served as its president from 2007 to 2009.

Mr. Kung became a partner of KPMG in 1997, Head of China Tax in Hong Kong and Southern China in 2001, Senior Partner of KPMG's Shenzhen office in 2006 and Senior Partner of KPMG's Southern China region in 2010. He was Vice Chairman of KPMG China from 2013 to 2017 and Senior Advisor to KPMG China from 2018 to 2019.

Mr. Kung is an independent non-executive director and chairman of the audit committee of ORIX Asia Limited and Kingboard Laminates Holdings Limited, a company listed on The Stock Exchange Hong Kong Limited. He is a member of the board and chairman of the audit committee of eBRAM. He is also a non-executive director and chairman of A SPAC (HK) Acquisition Corp. Mr. Kung has been a China Tax Advisor to Sun Hung Kai Real Estate Agency Limited since October 2019.

For the period from 14 March 2022 (date of appointment as a director of the Company) to 30 June 2022, Mr. Kung received a fee of HK\$42,000. Except the above fee, Mr. Kung did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

Notes:

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

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

Ms. Lau Yeuk-hung, Fiona, Executive Director, entered into an agreement with the Group for her serving as an Executive Director and the Chief Executive Officer of the Company, with no fixed term of service. Ms. Lau is entitled to a basic salary which is subject to review by the Board from time to time with reference to her responsibility and performance. She is also entitled to a discretionary performance bonus, the computation of which is based on her performance and contributions to the Group. For the role as a Director of the Company, Ms. Lau will retire and be re-elected by shareholders at the next general meeting of the Company after her appointment. Thereafter, Ms. Hung will be subject to retirement by rotation and re-election by shareholders at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Ms. Hung is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

Mr. Tam Lok-man, Norman, Executive Director, entered into an employment contract with the Group for his serving as an Executive Director and the Deputy Chief Executive Officer of the Company, with no fixed term of service. Mr. Tam is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to a discretionary performance bonus, the computation of which is based on his performance and contributions to the Group. Mr. Tam's appointment as a director of the Company is subject to retirement by rotation and re-election by shareholders at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Tam is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

There is an employment contract entered into between Mr. Chau Kam-kun, Stephen, Executive Director, and a subsidiary of the Company for his serving as the Company's Chief Technology Officer. As the Chief Technology Officer, Mr. Chau is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to a discretionary bonus, the computation of which is based on his performance and profitability of the Group. Mr. Chau has no fixed term of service with the Company for acting as a director of the Company. Mr. Chau's appointment as a director of the Company is subject to retirement by rotation and re-election by shareholders at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Chau is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Directors' interests in shares of the Company or any of its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance as at 31 December 2022 are disclosed in the "Directors' and chief executive's interests" section on pages 50 to 53 of this Interim Report.

COMMUNITY INITIATIVES

1. SmarTone 5G Ednovation Programme

“SmarTone 5G Ednovation Programme” is an initiative to bring 5G technology into school campuses through integrating education and innovation. SmarTone develops diversified 5G solutions that can assist teachers in achieving their educational goals, enhancing teaching efficiency, as well as stimulating students’ passion in STEM learning.



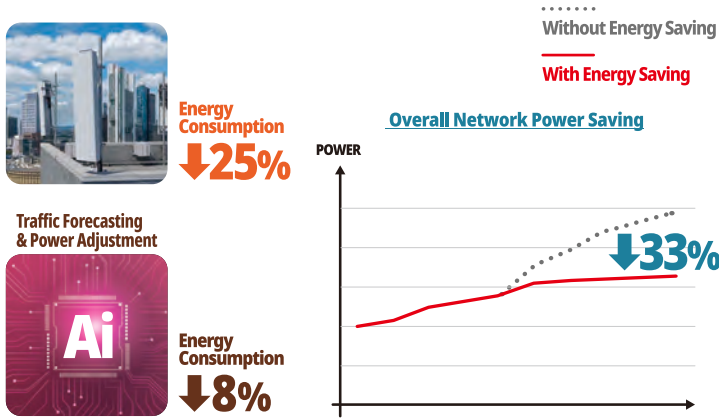
SmarTone continues its **“5G STEM Classroom”**, offering 5G STEM courses with a guided tour at 5G LAB for local school students to experience 5G innovation applications.



COMMUNITY INITIATIVES

2. Green 5G Network

SmarTone modernizes base stations with the latest hardware and software to **deliver 25% of energy saving**. We also utilize AI-based network solution to further **reduce power consumption by 8%** through predicting traffic pattern and adjusting power consumption dynamically without compromising network performance. As a result, SmarTone records a **combined energy saving by 33%**, and to minimize energy consumption increase even after 5G roll-out.



3. Implementation of real-name registration for SIM cards

Our volunteer team assisted the elderlies to conduct the real-name registration process. Our stores also opened earlier to support users for last minute registration and offered customers instant assistance.



COMMUNITY INITIATIVES

4. Caring for the Community

Sending care and warmth to those in need in the community through various activities to build a harmonious society.



STAFF ENGAGEMENT

1. Grooming Talents

Introduce diversified opportunities for **people and career development**, including cross-sector exchanges for frontline service staff, influencing skills training as well as lunch & learn sessions, to nurture employees and enable them to explore their personal potential and professional ability to achieve all-round development.



2. Caring For Staff

Promotes **work-life balance** to establish a fun and relaxing workplace with a range of festive activities and organize caring activities and initiatives.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 49, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2022 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 February 2023

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2022
(Expressed in Hong Kong dollars)

		Unaudited six months ended	
		31 December	
		2022	2021
	Notes	\$000	\$000
Service revenue and other related service		2,333,030	2,242,404
Handset and accessory sales		1,475,981	1,549,118
<hr/>			
Revenues	4	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	7	(503,362)	(488,454)
Depreciation, amortization and loss on disposal	7	(887,692)	(906,066)
<hr/>			
Operating profit		391,373	390,905
Finance income	5	41,968	10,416
Finance costs	6	(77,376)	(65,808)
<hr/>			
Profit before income tax	7	355,965	335,513
Income tax expense	8	(100,133)	(83,436)
<hr/>			
Profit after income tax		255,832	252,077
<hr/>			
Profit attributable to			
Company's shareholders		255,832	251,383
Non-controlling interests		–	694
<hr/>			
		255,832	252,077
<hr/>			
Earnings per share for profit attributable to Company's shareholders			
during the period (expressed in cents per share)	10		
Basic		23.1	22.6
Diluted		23.1	22.6

The above condensed consolidated profit and loss account should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2022
(Expressed in Hong Kong dollars)

	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
(Expressed in Hong Kong dollars)

		Unaudited 31 December 2022 \$000	Audited 30 June 2022 \$000
	Notes		
Non-current assets			
Fixed assets	12	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	13	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	14	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	15	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	16	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
(Expressed in Hong Kong dollars)

		Unaudited 31 December 2022 \$000	Audited 30 June 2022 \$000
	Notes		
Non-current liabilities			
Asset retirement obligations		61,605	75,710
Contract liabilities		7,866	14,455
Lease liabilities		271,576	328,522
Bank borrowings	16	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	17	110,526	110,579
Reserves		5,119,150	5,043,205
Total equity		5,229,676	5,153,784

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022
(Expressed in Hong Kong dollars)

	Unaudited six months ended	
	31 December	
	2022	2021
	\$000	\$000
Cash flows from operating activities	1,251,181	1,259,756
Income tax paid	(8,669)	(107,049)
Redemption/(purchase) of tax reserve certificate	2,500	(92,934)
Net cash inflow from operating activities	1,245,012	1,059,773
Cash flows from investing activities		
Payment for purchase of fixed assets	(344,459)	(375,924)
Payment of spectrum utilization fee	(156,024)	(190,598)
Decrease in short-term deposits	159,033	–
Proceeds from disposal of financial assets at amortized cost	–	62,128
Other investing activities	24,078	19,198
Net cash outflow from investing activities	(317,372)	(485,196)
Cash flows from financing activities		
Payment for repurchase of shares	(1,463)	(9,435)
Repayment of bank borrowings	(9,614)	(50,448)
Principal elements of lease payments	(314,916)	(336,518)
Dividends paid to the Company's shareholders	(171,325)	(172,203)
Net cash outflow from financing activities	(497,318)	(568,604)
Net increase in cash and cash equivalents	430,322	5,973
Effect of foreign exchange rate change	(139)	79
Cash and cash equivalents at 1 July	385,467	2,094,884
Cash and cash equivalents at 31 December	815,650	2,100,936

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022
(Expressed in Hong Kong dollars)

	Unaudited										
	Attributable to the Company's shareholders										Total
	Share capital	Share premium	Revaluation reserve	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
At 1 July 2021	111,099	1,640,986	14,857	16,946	1,054	6,043	(1,075)	3,329,063	5,118,973	(21,865)	5,097,108
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	251,383	251,383	694	252,077
Other comprehensive (loss)/income											
Fair value loss on financial asset at fair value through other comprehensive income	-	-	(2,632)	-	-	-	-	-	(2,632)	-	(2,632)
Currency translation differences	-	-	-	-	-	-	271	-	271	-	271
Total comprehensive income for the period ended 31 December 2021	-	-	(2,632)	-	-	-	271	251,383	249,022	694	249,716
Transactions with owners											
Share-based payments	-	-	-	-	-	1,648	-	-	1,648	-	1,648
Lapse of share award	-	-	-	-	-	(745)	-	745	-	-	-
Repurchase of shares	(46)	-	-	46	-	-	-	(9,435)	(9,435)	-	(9,435)
Payment of 2021 final dividend	-	-	-	-	-	-	-	(172,203)	(172,203)	-	(172,203)
Total transactions with owners	(46)	-	-	46	-	903	-	(180,893)	(179,990)	-	(179,990)
At 31 December 2021	111,053	1,640,986	12,225	16,992	1,054	6,946	(804)	3,399,553	5,188,005	(21,171)	5,166,834

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022
(Expressed in Hong Kong dollars)

	Unaudited								
	Attributable to the Company's shareholders								
	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Exchange reserve \$000	Retained profits \$000	Total \$000
At 1 July 2022	110,579	1,640,986	14,296	17,466	926	1,705	(1,475)	3,369,301	5,153,784
Comprehensive income									
Profit for the period	-	-	-	-	-	-	-	255,832	255,832
Other comprehensive loss									
Fair value loss on financial asset at fair value through other comprehensive income	-	-	(8,221)	-	-	-	-	-	(8,221)
Currency translation differences	-	-	-	-	-	-	(664)	-	(664)
Total comprehensive income for the period ended 31 December 2022	-	-	(8,221)	-	-	-	(664)	255,832	246,947
Transactions with owners									
Share-based payments	-	-	-	-	-	1,733	-	-	1,733
Lapse of share award	-	-	-	-	-	(105)	-	105	-
Repurchase of shares (note 17(a))	(53)	-	-	53	-	-	-	(1,463)	(1,463)
Payment of 2022 final dividend	-	-	-	-	-	-	-	(171,325)	(171,325)
Total transactions with owners	(53)	-	-	53	-	1,628	-	(172,683)	(171,055)
At 31 December 2022	110,526	1,640,986	6,075	17,519	926	3,333	(2,139)	3,452,450	5,229,676

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “SEHK”).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 Financial risk management and financial instruments

(a) Financial risk factors

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

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2022.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management and financial instruments *(continued)*

(b) Fair value estimation

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognized at fair value at 31 December 2022 and 30 June 2022.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Assets				
Financial asset at fair value through other comprehensive income				
At 31 December 2022 (Unaudited)	–	7,973	–	7,973
At 30 June 2022 (Audited)	–	16,194	–	16,194

There were no transfers between level 1 and level 2 and no changes in valuation techniques during the period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The financial asset at fair value through other comprehensive income is stated at fair value based on the net asset value per unit of the respective fund as determined by the manager of the relevant fund.

All of the resulting fair value estimates are included in level 2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Segment reporting *(continued)* (b) Segment assets/(liabilities)

	At 31 December 2022 (Unaudited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$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 \$000	Macau \$000	Unallocated \$000	Consolidated \$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.

5 Finance income

	Unaudited six months ended	
	31 December 2022 \$000	2021 \$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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Finance costs

	Unaudited six months ended 31 December	
	2022	2021
	\$000	\$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 (note 9)	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.

7 Profit before income tax

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

	Unaudited six months ended 31 December	
	2022	2021
	\$000	\$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 14)	1,552	2,662
– Net exchange (gain)/loss (note 9)	(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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 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.

9 Net exchange loss

The exchange differences (credited)/charged to the condensed consolidated profit and loss account are included as follows:

	Unaudited six months ended	
	31 December	
	2022	2021
	\$000	\$000
Other operating expenses, net (note 7)	(2,741)	1,265
Finance costs (note 6)	4,002	4,308
Total	1,261	5,573

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 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

(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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 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	–
<hr/>		
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

11 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.

(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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Fixed assets

	Unaudited \$'000
Opening net book amount at 1 July 2022	2,736,212
Additions	334,083
Disposals	(3,384)
Exchange differences	(476)
Depreciation	(270,975)
Closing net book amount at 31 December 2022	2,795,460
Opening net book amount at 1 July 2021	2,679,862
Additions	342,235
Disposals	(8,254)
Exchange differences	157
Depreciation	(321,202)
Closing net book amount at 31 December 2021	2,692,798

During the six months ended 31 December 2022, major fixed assets acquired by the Group included network and testing equipment, including network under construction amounting to \$224,527,000 (2021: \$281,648,000).

During the six months ended 31 December 2022, the estimated total useful lives of certain items of network and testing equipment were revised. The net effect of the changes in the current financial period was a decrease in depreciation expense of \$40,257,000.

At 31 December 2022, buildings with carrying amount of \$66,648,000 (30 June 2022: \$67,867,000) were pledged as security for bank borrowings of the Group (note 16).

13 Intangible assets

	Unaudited Spectrum utilization fee \$'000
Opening net book amount at 1 July 2022	4,904,742
Amortization	(236,666)
Closing net book amount at 31 December 2022	4,668,076
Opening net book amount at 1 July 2021	3,119,536
Additions	2,145,031
Amortization	(197,562)
Closing net book amount at 31 December 2021	5,067,005

The Group extended the spectrum utilization period of the 1800 MHz band to 29 September 2036 during the six months ended 31 December 2021. As a result of the bid of a block of 15 MHz spectrum at the 850 MHz band and 40 MHz spectrum at the 4.9 GHz band, the Group acquired \$305 million of spectrums during the six months ended 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Trade receivables

	Unaudited 31 December 2022 \$000	Audited 30 June 2022 \$000
Trade receivables	390,040	350,627
Less: loss allowance	(6,342)	(6,818)
	383,698	343,809

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 \$000	Audited 30 June 2022 \$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.

15 Trade payables

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

	Unaudited 31 December 2022 \$000	Audited 30 June 2022 \$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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Bank and other borrowings

	Unaudited 31 December 2022			Audited 30 June 2022		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Secured bank borrowings	2,200	63,800	66,000	–	66,000	66,000
Unsecured bank borrowings	9,537	–	9,537	19,128	–	19,128
Guaranteed notes (a)	1,419,621	–	1,419,621	1,425,684	–	1,425,684
Total bank and other borrowings	1,431,358	63,800	1,495,158	1,444,812	66,000	1,510,812

- (a) On 8 April 2013, SmarTone Finance Limited, an indirect wholly-owned subsidiary of the Company, issued US\$200 million, 3.875% guaranteed notes due April 2023, which are listed on The Stock Exchange of Hong Kong Limited. The notes are irrevocably and unconditionally guaranteed by the Company and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company.

The carrying amounts of the Group's bank borrowings included under current liabilities approximate their fair values, as the impact of discounting is not significant. The fair value of the bank borrowings included under non-current liabilities as estimated by discounting their future cash flows at the prevailing market borrowing rates at the period end date for similar borrowings is as follows:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 31 December 2022				
Secured bank borrowings	–	63,800	–	63,800
Total	–	63,800	–	63,800
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2022				
Secured bank borrowings	–	66,000	–	66,000
Total	–	66,000	–	66,000

At 31 December 2022, secured bank borrowings are secured by certain buildings of the Group (note 12) (30 June 2022: same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 Share capital

	Unaudited	
	Shares of \$0.1 each	\$000
Authorized		
At 1 July 2021, 30 June 2022, 1 July 2022 and 31 December 2022	2,000,000,000	200,000
Issued and fully paid		
At 1 July 2022	1,105,792,101	110,579
Repurchase of shares (a)	(527,500)	(53)
At 31 December 2022	1,105,264,601	110,526
At 1 July 2021	1,110,988,601	111,099
Repurchase of shares	(455,000)	(46)
At 31 December 2021	1,110,533,601	111,053

- (a) During the six months ended 31 December 2022, the Company repurchased and cancelled 359,500 shares on the SEHK. Of these repurchased shares together with 168,000 shares repurchased in June 2022, 527,500 shares were cancelled prior to 31 December 2022. The amount paid to acquire the 359,500 cancelled shares of \$1,463,000 was deducted from equity attributable to equity holders and the amount paid to acquire the 168,000 cancelled shares of \$680,000 has been paid during the year ended 30 June 2022.

18 Share award scheme and share option scheme

(a) Share award scheme

(i) Movements in share award

	Unaudited
Number of awarded shares	
Outstanding at 1 July 2022	417,805
Lapsed	(22,760)
Outstanding at 31 December 2022	395,045

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Share award scheme and share option scheme *(continued)*

(b) Share option scheme

(i) Movements in share options

	Unaudited	
	Average exercise price per share	Numbers of share options
At 1 July 2022	–	–
Granted	\$3.976	4,000,000
At 31 December 2022	\$3.976	4,000,000

At 31 December 2022, 1,200,000 share options were exercisable with average exercise price of \$3.976 per share.

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

Date of grant	Exercise period	Exercise price per share	Unaudited	Audited
			31 December 2022	30 June 2022
			Number of share options	Number of share options
7 November 2022	15 November 2022 to 14 November 2026	\$3.976	4,000,000	–

(iii) Details of share options exercised

No share options were exercised during the six months ended 31 December 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Commitments and contingent liabilities

(a) Capital commitments

	Unaudited 31 December 2022 \$000	Audited 30 June 2022 \$000
Fixed assets Contracted for	133,130	78,668

(b) Contingent liabilities

	Unaudited 31 December 2022 \$000	Audited 30 June 2022 \$000
Performance guarantees	626,383	751,383

20 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 69.05% of the Company's shares as at 31 December 2022. The remaining 30.95% of the shares are widely held, of which 3.91% is held by another subsidiary of Sun Hung Kai Properties Limited ("SHKP"). The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

(a) During the six months ended 31 December 2022, the Group had transactions with certain fellow subsidiaries and associates of SHKP in the ordinary course of business. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions. These transactions are not significant to the Group's Interim Financial Statements.

(b) Key management compensation

No transaction has been entered with the directors of the Company (being the key management personnel) during the six months ended 31 December 2022 other than the emoluments of \$14,011,000 paid to them (being the key management personnel remuneration). The compensation paid or payable to key management (including directors and senior management) for the six months ended 31 December 2021 amounted to \$11,176,000.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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.

Directors' and chief executive's interests

As at 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), to be notified to the Company and the SEHK, were as follows:

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	5,162,337 ¹	5,162,337	–	5,162,337	0.47
Fung Yuk-lun, Allen	437,359	–	437,359	–	437,359	0.04
Tam Lok-man, Norman	–	–	–	4,000,000 ² (Personal interests in share options)	4,000,000	0.36
Chau Kam-kun, Stephen	146,000	11,000 ³	157,000	–	157,000	0.01

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
2. These underlying shares of the Company represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company. Details of these share options are shown in the section entitled "Share option scheme".
3. These shares in the Company were held by the spouse of Mr. Chau Kam-kun, Stephen.

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

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	188,743	550,237,686 ¹ 1,580,000 ²	552,006,429	–	552,006,429	19.05
Chau Kam-kun, Stephen	1,000	–	1,000	–	1,000	0.00
David Norman Prince	2,000	–	2,000	–	2,000	0.00
Siu Hon-wah, Thomas	–	7,000 ³	7,000	–	7,000	0.00
Li Ka-cheung, Eric	–	4,028 ⁴	4,028	–	4,028	0.00

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SHKP by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
2. These shares in SHKP were held by the spouse of Mr. Kwok Ping-luen, Raymond.
3. These shares in SHKP were held jointly by Mr. Siu Hon-wah, Thomas and his spouse.
4. These shares in SHKP were held by the spouse of Dr. Li Ka-cheung, Eric.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

(b) SUNeVision Holdings Ltd. (“SUNeVision”)

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	3,485,000 ¹	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	4,000,000	–	4,000,000	8,000,000 ²	12,000,000	0.51
Chau Kam-kun, Stephen	50,000	–	50,000	–	50,000	0.00

Notes:

- Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SUNeVision by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
- These underlying shares of SUNeVision represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SUNeVision under its share option scheme. Details of these share options are shown below:

Name of Director	Date of grant	Exercise price \$	Exercise period*	Number of share options				
				Outstanding at 1 July 2022	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2022
Fung Yuk-lun, Allen	22 May 2019	6.688	22 May 2020 to 21 May 2024	4,000,000	–	–	–	4,000,000
	4 May 2022	6.532	4 May 2023 to 3 May 2027	4,000,000	–	–	–	4,000,000

- * The share options of SUNeVision can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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

Name of associated corporation	Actual shares held through corporation	Actual % of interests in issued voting shares
Splendid Kai Limited (commenced members' voluntary liquidation on 15 June 2022)	2,500 ¹	25.00
Hung Carom Company Limited	25 ¹	25.00
Tinyau Company Limited	1 ¹	50.00
Open Step Limited	8 ¹	80.00
Vivid Synergy Limited	963,536,900 ¹	20.00

Note:

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

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to the Model Code.

Share option scheme

The shareholders of the Company passed an ordinary resolution at the annual general meeting of the Company held on 2 November 2021 to approve the adoption of a share option scheme (the "Share Option Scheme") of the Company. The Share Option Scheme became effective on 4 November 2021 following the grant of a listing approval by the SEHK and the passing of an ordinary resolution by the shareholders of SHKP, the Company's holding company, at the annual general meeting of SHKP to approve the adoption of the Share Option Scheme.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Movements of the share options granted to the participants pursuant to the Share Option Scheme during the six months ended 31 December 2022 were as follows:

Grantee	Date of grant	Exercise price \$	Exercise period	Number of share options					Outstanding at 31 December 2022
				Outstanding at 1 July 2022	Granted during the period	Exercised during the period	Canceled during the period	Lapsed during the period	
Director									
Tam Lok-man, Norman	7 November 2022	3.976	15 November 2022 to 14 November 2026 ¹	N/A	4,000,000 ^{2&3}	-	-	-	4,000,000

Notes:

- The share options can be exercised up to 30% of the grant from 15 November 2022, up to 60% of the grant from 15 November 2023, and in whole or in part of the grant from 15 November 2024.
- The closing price of the shares of the Company immediately before the date on which the share options were granted was \$4.06 per share.
- The value of these share options, as calculated by using the Black-Scholes option pricing model, was \$4,077,000. The significant inputs into the model were:

Risk-free interest rate	4.323% ^a
Expected volatility	18.400% ^b
Expected dividend yield	7.732% ^c
Expected life of the share options	4 years 8 days ^d

- This represented the market yield on Hong Kong government bonds (maturing August 2026) as of the valuation date.
- This represented the annualized volatility of the closing price of the shares of the Company over a period of 260 trading days preceding the date of grant.
- This represented the yield of the expected dividend, being the historical dividend on the shares of the Company for the year preceding the date of grant.
- This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of the Company for the year preceding the date of grant.

The value of the share options is subject to a number of assumptions and limitations of the model. Therefore, the value may be subjective and would change should any of the assumptions changed.

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

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

The number of share options available for grant under the scheme mandate of the Share Option Scheme was 111,098,860 on 1 July 2022 and 107,098,860 on 31 December 2022.

The number of shares that may be issued in respect of the share options granted under the Share Option Scheme during the six-month period ended 31 December 2022 was 4,000,000, representing 0.36% of the weighted average number of ordinary shares in issue (less shares held for the share award scheme) for the same period.

Share award scheme

A share award scheme (the "Share Award Scheme") was adopted by the Board on 29 June 2018 as an incentive arrangement to recognize the contributions of certain employees and to attract and retain suitable personnel for the development of the Group. Pursuant to the rules of the scheme, shares of the Company will be acquired by a trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. The shares will be transferred to the selected employees upon vesting. The selected employees are not required to pay any purchase price for the transfer of the vested shares. No new shares of the Company will be issued under the Share Award Scheme.

Movements of the awarded shares granted to selected employees pursuant to the Share Award Scheme during the six months ended 31 December 2022 were as follows:

Awardee	Date of award	Vesting period	Number of awarded shares					Outstanding at 31 December 2022
			Outstanding at 1 July 2022	Awarded during the period	Vested during the period	Canceled during the period	Lapsed during the period	
Employees	28 February 2020	28 February 2021 to 28 February 2023 ¹	417,805	-	-	-	(22,760)	395,045

Note:

- 30% of the awarded shares shall vest on the first and second anniversary date of the date of award and the balance shall vest on the third anniversary date of the date of award.

The number of awarded shares available for grant under the scheme mandate of the Share Award Scheme was 107,171,217 on both 1 July 2022 and 31 December 2022.

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(Financial figures are expressed in Hong Kong dollars)

Interests of substantial shareholder

As at 31 December 2022, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name	Total number of shares	% of issued voting shares
Sun Hung Kai Properties Limited (“SHKP”) ¹	806,362,555	72.96%
HSBC Trustee (C.I.) Limited (“HSBCCI”) ²	807,292,867	73.04%

Notes:

1. TFS Development Company Limited (“TFS”) and Cellular 8 Holdings Limited (“Cellular 8”, a wholly owned subsidiary of TFS) held 43,162,883 shares and 763,199,672 shares in the Company respectively. For the purpose of Part XV of the SFO, TFS was deemed to be interested in the 763,199,672 shares in the Company held by Cellular 8. Accordingly, TFS had interests and deemed interests in an aggregate of 806,362,555 shares in the Company.

In addition, TFS is a wholly-owned subsidiary of Fourseas Investments Limited (“Fourseas”) which in turn is a wholly-owned subsidiary of SHKP. For the purpose of Part XV of the SFO, SHKP and Fourseas were also deemed to be interested in the above-mentioned 806,362,555 shares in the Company.

2. As HSBCCI is entitled to control the exercise of one-third or more of the voting power at general meetings of SHKP, HSBCCI is deemed to have interest in the 806,362,555 shares of the Company held indirectly by SHKP for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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(Financial figures are expressed in Hong Kong dollars)

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 SEHK. These repurchased shares were cancelled prior to 31 December 2022. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid \$
		Highest \$	Lowest \$	
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

An Audit Committee has been established by the Company to provide advice and recommendations to the Board. The chairman of the Committee is Dr. Li Ka-cheung, Eric (with professional accounting expertise) and the other members are Mr. Ng Leung-sing and Mr. Gan Fock-kin, Eric. All the members of the Committee are Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee held a meeting on 10 February 2023 and 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 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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.

Compliance with model code for securities transactions by Directors

The Group adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon specific enquiry, each Director had confirmed that during the six months ended 31 December 2022, they had fully complied with the required standard set out in the Model Code and there was no event of non-compliance.

By order of the Board

Mak Yau-hing, Alvin

Company Secretary

Hong Kong, 22 February 2023

As at the date of this report, 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.