SmarTone Telecommunications Holdings Limited

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

2022 / 2023 ANNUAL RESULTS ANNOUNCEMENT

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

- Service revenue grew by 1%, despite a competitive market
- Mobile postpaid ARPU remained stable at $224; 5G penetration reached 37% as of July 2023
- Roaming revenue grew by 49%; 5G Home Broadband registered over 100% growth in revenue
- A provision for the potential financial investment loss on debt securities of $201 million was made; excluding such provision, profit attributable to equity holders increased 4% to $470 million
- The Board proposed a final dividend per share of 17.5 cents, making full year dividend per share of 32.0 cents, represented 75% payout of the Company's underlying profit
- Strong net cash position of $1.1 billion and healthy operating cash inflow that support a sustainable, long-term growth

CHAIRMAN'S STATEMENT

Business review

Despite intense competition and a peak in spectrum cost of $542 million, the Company reported a profit attributable to equity holders (excluding provision for potential financial investment loss) of $470 million, an increase of 4% as compared to last year.

Amid the latest market conditions, a provision for potential financial investment loss on debt securities of $201 million was recognized during this financial year. Even though these securities were acquired with the intention to be held to maturity, we have taken a prudent approach and made the provision to reflect the value of these assets based on the latest market conditions. The proposed dividend per share for this financial year is 75% payout of SmarTone's underlying profit.

During the year, SmarTone's business achieved solid results, supported by a stable ARPU. The growth in roaming and 5G Home Broadband revenue were 49% and over 100% respectively. The Company's core postpaid base continued to increase and 5G penetration reached 37% as of July 2023, representing a 9% point improvement from June 2022.

With steady increase in the global travel footprint since December 2022, SmarTone benefited from a strong roaming revenue recovery, reaching 83% of pre-pandemic level as of July 2023.

While personal travel recovered quickly especially during the second half of the year, business travel has experienced a somewhat slower recovery, and we expect some further room to grow in the next few months. We believe reliability and quality of the data roaming experience have become increasingly important to customers. SmarTone will continue to work with its global partners to deliver a seamless 5G roaming experience and boost the roaming penetration among SmarTone's customers.

During the year, SmarTone 5G Home Broadband registered over 100% growth in revenue. Increasing demand continues to come from households without fiber access or those looking for a cost-effective solution without sacrificing user experience. Since entering the market in 2020, this new product line has brought in true incremental upside to our mobile business. It takes a leading position in the market as the No. 1 best preferred 5G Home Broadband provider recognized by various influential media including e-zone, PC Magazine, HK01. We expect there is continued growth for this business.

Riding on the accelerating demand for digitalization among corporates, SmarTone's Enterprise Solutions business registered double-digit percentage growth during the year. Foreseeing the potential of this market, the Company has tapped into this opportunity with a focus on industries such as construction, transportation, and property management. Drawing on strong partnerships with our parent company SHKP, SmarTone will continue to collaborate with the Group and deliver solutions specific to their needs.

Cost pressure has remained high under a challenging business operating environment. Operating expense has seen an increase with higher labor and electiricty cost, although this is partially offset with savings from cell site rental re-negotiation. The Company takes a long-term view and will continue to invest in growth areas such as 5G Home Broadband and Enterprise Solutions. We will step up investments into our digital capability in delivering supreme customer experience and services going forward.

Delivering superior 5G network quality remains SmarTone's key differentiation. We have taken a number of initiatives to analyze network data using the Company's proprietary machine-learning capability, with the objective to enhance individual's user experience. This has allowed us to identify spots where the coverage is suboptimal and to make improvements accordingly. Multiple journals, including DCFever, e-zone, ePrice, Mobile Magazine and Qooah, have confirmed that SmarTone delivers the fastest download speed in MTR stations. SmarTone has also been recognized as a leader in the market by one of the most trusted agencies in the industry, OpenSignal, on its technical assessment regarding network quality.

As part of the ESG initiatives, SmarTone continued to modernize the network and in the past year has improved the energy consumption efficiency by double-digit percentage. SmarTone has also partnered with various NGOs, schools and elderly homes as part of the community outreach and engagement program. A globally renowned brand agency has recently named SmarTone as the Top 10 brands in Hong Kong. This is a testament not just to the established presence of the Company and reliability of its service over the years, but also a reflection of SmarTone's deep engagement in the community. SmarTone will continue its mission to enhance the well-being and lifestyle among citizens of Hong Kong. We will also help enterprises to accelerate their digital transformation via 5G enabled technology.

Dividend

The Board proposed a final dividend per share of 17.5 cents, making full year dividend per share of 32.0 cents. With a strong net cash position of $1.1 billion, the Company stands to benefit from the high interest rate environment. The Company also maintains a strong equity level of $5 billion.

Outlook

The mobile industry is expected to remain competitive with persistent price pressure. The Group will take a cautious approach in navigating the challenging macro environment while remain committed to investing resourcefully in growth areas. In support of the Government's Smart City Blueprint, the Group will make use of the latest technology and close partnership with our parent SHKP to accelerate the development of Smart City through its Enterprise Solutions business.

Spectrum cost is a major burden for SmarTone and other Hong Kong operators. SmarTone welcomes the Financial Secretary's understanding and the proposal to grant tax deductibility for future spectrum cost. But this will only apply to new spectrum and does not help the situation with spectrum already granted. The Company objects to such an arrangement as this spectrum cost was historically tax deductible and is a real operating cost essential to network operations. The total tax deduction impact on the spectrum held by SmarTone up to 30 June 2023 has already amounted to $500 million. This will continue to incur a further tax burden of approximately $60 million every year going forward. This non-deductibility on tax deters operators from making further investment into Hong Kong's infrastructure. To this end, the Company urges the Government to reconsider its position on existing spectrum cost.

Appreciation

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, 1 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the year under review, the Group's profit attributable to shareholders decreased $154 million to $269 million (2021/22: $423 million), due to recognition of expected credit loss on financial assets at amortized cost of $201 million. If excluding the expected credit loss, the underlying profit attributable to shareholders is $470 million (2021/22: $454 million), represents a year-on-year growth of 3.5%. It is mainly driven by the recovery in roaming revenue and the growth in 5G Home Broadband business.

Group services revenue increased by 1% to $4,546 million. The increase was primarily driven by the recovery of roaming revenue. Revenue from handset and accessory sales of $2,217 million was recorded during the year, as compared to $2,469 million in last year, reflecting a weaker demand for flagship handsets and poorer consumer sentiment. As the result, total revenue of $6,763 million was recorded, compare with $6,957 million in a year earlier.

Cost of inventories sold decreased by 8% to $2,199 million, reflecting the lower handset and accessory sales during the year. Cost of services provided increased by 6% to $392 million, primarily driven by the increase in roaming and enterprise solution business.

Staff costs increased by 12% to $731 million (2021/22: $652 million) amid annual salary increment and the Group's investment in manpower resources in key growth areas.

Depreciation, amortization and loss on disposal decreased by 4% to $1,760 million, as the result of the decrease in depreciation charges associated with right-of-use assets, reflecting the underlying reduction of lease expenses on cell sites, shops and offices, and the Group's ongoing periodic review of the useful lives of network assets.

Expected credit loss of $201 million (2021/22: $31 million) was recognized to reflect the change in credit risk for the financial assets at amortized cost.

Finance income increased by $52 million to $85 million, primarily driven by higher interest rate on bank deposit. Finance costs decreased by 9% to $133 million as the result of lower interest expenses after repayment of the guarantee notes and certain bank borrowings. As a result, the Group recorded a net finance cost of $48 million during the year, as compared to net finance cost of $113 million in last year.

Income tax expense amounted to $185 million (2021/22: $177 million), reflecting an effective tax rate of 40.7% (2021/22: 29.5%). 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. The Group also recognized an expected credit loss on financial assets at amortized cost of $201 million during the year. The expense has been regarded as non-deductible on the books. As a result, 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 year under review. During the year, the Group was primarily financed by equity including share capital and internally generated funds. As at 30 June 2023, the Group had a total equity of $5,084 million, including share capital of $111 million, and total borrowings of $66 million.

The Group recorded a net cash generated from operating activities of $2,254 million. The Group's net cash position (represents cash and cash equivalent, short-term bank deposits minus borrowings) has increased by $459 million to $1,089 million. As at 30 June 2023, the Group's cash and short-term deposit totaled $1,155 million, as compared to $2,141 million in last year. The decrease was primarily due to repayment of the guarantee notes and other bank borrowings during the year. As the result, the Group's borrowings have decreased by $1,445 million to $66 million as at 30 June 2023.

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

Treasury policy

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

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

Charges on assets

As at 30 June 2023, buildings with a carrying amount of $65 million were pledged as security of bank borrowings of the Group.

Interest rate exposure

As at 30 June 2023, the Group's total borrowing is $66 million. Management considers the interest rate exposure will not have any material impact to the Group given the low level of borrowing. 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, and trade payables. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

As at 30 June 2023, the Group provided performance guarantees of $623 million (30 June 2022: $751 million).

Employees, share award scheme and share option scheme

The Group had 1,830 full-time employees as at 30 June 2023 (30 June 2022: 1,737), with the majority of them based in Hong Kong. Total staff costs were $731 million for the year ended 30 June 2023 (2021/22: $652 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 year under review, 388,085 shares were vested and 29,720 shares were lapsed. No unvested share (30 June 2022: 417,805) was outstanding as at 30 June 2023.

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 year under review, 8,000,000 share options were granted, 1,200,000 share options were exercised, 2,800,000 share options were cancelled and 4,000,000 share options were outstanding as at 30 June 2023 (30 June 2022: Nil).

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the "Company") is pleased to present the consolidated profit and loss account and the consolidated statement of comprehensive income for the year ended 30 June 2023 and the consolidated balance sheet as at 30 June 2023 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account
For the year ended 30 June 2023

	Notes	**2023 $000**	2022 $000
Service revenue and other related service		**4,546,174**	4,488,597
Handset and accessory sales		**2,216,710**	2,468,688
Revenues	3	**6,762,884**	6,957,285
Cost of inventories sold		**(2,199,365)**	(2,402,302)
Cost of services provided		**(392,289)**	(370,175)
Staff costs		**(730,885)**	(652,017)
Other operating expenses, net	6	**(978,229)**	(957,462)
Depreciation, amortization and loss on disposal	6	**(1,759,682)**	(1,831,707)
Operating profit		**702,434**	743,622
Expected credit loss on financial assets at amortized cost	6	**(201,257)**	(31,000)
Finance income	4	**84,899**	32,635
Finance costs	5	**(132,693)**	(145,440)
Profit before income tax	6	**453,383**	599,817
Income tax expense	7	**(184,537)**	(176,891)
Profit after income tax		**268,846**	422,926
Profit attributable to			
Company's shareholders		**268,846**	423,170
Non-controlling interests		**-**	(244)
		268,846	422,926
Earnings per share for profit attributable to Company's shareholders during the year (expressed in cents per share)	8		
Basic		**24.3**	**38.2**
Diluted		**24.3**	**38.2**

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2023

	2023 $000	2022 $000
Profit for the year	**268,846**	422,926
Other comprehensive loss		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	**(1,138)**	(400)
Item that will not be reclassified subsequently to profit and loss:		
Fair value loss on financial asset at fair value through other comprehensive income	**(8,903)**	(561)
Other comprehensive loss for the year	**(10,041)**	(961)
Total comprehensive income for the year	**258,805**	421,965
Total comprehensive income attributable to		
Company's shareholders	**258,805**	422,209
Non-controlling interests	**-**	(244)
	258,805	421,965

Consolidated Balance Sheet
At 30 June 2023

	Notes	**2023** **$000**	2022 $000
Non-current assets			
Fixed assets		**2,925,297**	2,736,212
Customer acquisition costs		**101,702**	87,608
Contract assets		**32,241**	42,747
Right-of-use assets		**764,873**	917,635
Interest in an associate		**3**	3
Financial asset at fair value through other comprehensive income		**7,291**	16,194
Financial assets at amortized cost		**147,832**	336,973
Intangible assets		**4,431,409**	4,904,742
Deposits and prepayments		**79,326**	130,145
Deferred income tax assets		**6,447**	7,468
Total non-current assets		**8,496,421**	9,179,727
Current assets			
Cash and cash equivalents		**1,155,152**	385,467
Short-term bank deposits		**-**	1,755,049
Contract assets		**93,287**	88,312
Trade receivables	10	**351,339**	343,809
Deposits and prepayments		**252,548**	243,751
Other receivables		**62,565**	82,402
Financial assets at amortized cost		**21,749**	54,783
Inventories		**106,333**	100,036
Tax reserve certificates		**359,549**	347,796
Total current assets		**2,402,522**	3,401,405
Current liabilities			
Trade payables	11	**317,302**	239,453
Other payables and accruals		**660,926**	723,543
Contract liabilities		**357,568**	332,394
Lease liabilities		**532,088**	576,299
Current income tax liabilities		**611,198**	557,318
Bank and other borrowings		**2,200**	1,444,812
Spectrum utilization fee liabilities		**222,922**	217,609
Total current liabilities		**2,704,204**	4,091,428

Consolidated Balance Sheet
At 30 June 2023

	2023 **$000**	2022 $000
Non-current liabilities		
Asset retirement obligations	**63,309**	75,710
Contract liabilities	**6,940**	14,455
Lease liabilities	**254,906**	328,522
Bank and other borrowings	**63,800**	66,000
Spectrum utilization fee liabilities	**2,578,218**	2,734,426
Deferred income tax liabilities	**143,079**	116,807
Total non-current liabilities	**3,110,252**	3,335,920
Net assets	**5,084,487**	5,153,784
Capital and reserves		
Share capital	**110,646**	110,579
Reserves	**4,973,841**	5,043,205
Total equity	**5,084,487**	5,153,784

Notes to the Consolidated Financial Statements

1 General information

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

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 1 September 2023.

Certain comparative figures have been reclassified to conform to the current year’s presentation.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated 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.

The Group’s current liabilities exceeded current assets by $301,682,000 as at 30 June 2023. This was mainly due to contract liabilities of $357,568,000 recognized under HKFRS 15 which will gradually reduce over time through the satisfaction of performance obligations under the contract terms and current portion of lease liabilities of $532,088,000 where the related right of use assets are classified within non-current assets. Taking into account of the Group’s history of cashflows from operations and its expected future working capital requirements and available cash and deposit balances, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

(ii) 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 on 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 standard did not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

2 Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

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

Certain new standard, 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)	Non-current Liabilities with Covenants[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]
Amendment to HKAS 12	International Tax Reform-Pillar Two Model Rules[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
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]
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] The original effective date of 1 January 2016 has been postponed until further announcement.

The Group does not expect that these new standard, amendments to standards and interpretations to existing standards would have any material impact on its results and financial position.

3 Segment reporting

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

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

3 Segment reporting *(continued)*

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

(a) Segment results

	For the year ended 30 June 2023			
	Hong Kong $000	**Macau $000**	**Elimination $000**	**Consolidated $000**
External revenue	**6,507,686**	**255,198**	**-**	**6,762,884**
Inter-segment revenue	**210,970**	**3,557**	**(214,527)**	**-**
Total revenue	**6,718,656**	**258,755**	**(214,527)**	**6,762,884**
Timing of revenue recognition				
At a point in time	**2,213,328**	**213,243**	**(209,861)**	**2,216,710**
Over time	**4,505,328**	**45,512**	**(4,666)**	**4,546,174**
	6,718,656	**258,755**	**(214,527)**	**6,762,884**
EBITDA	**2,478,296**	**(16,180)**	**-**	**2,462,116**
Depreciation, amortization and loss on disposal	**(1,749,613)**	**(10,069)**	**-**	**(1,759,682)**
Operating profit/(loss)	**728,683**	**(26,249)**	**-**	**702,434**
Expected credit loss on financial assets at amortized cost				**(201,257)**
Finance income				**84,899**
Finance costs				**(132,693)**
Profit before income tax				**453,383**
Other information				
Additions to fixed assets	**727,624**	**1,304**	**-**	**728,928**
Depreciation of fixed assets	**528,421**	**3,799**	**-**	**532,220**
Depreciation of right-of-use assets	**654,614**	**5,889**	**-**	**660,503**
Amortization of intangible assets	**473,333**	**-**	**-**	**473,333**
Amortization of customer acquisition costs	**87,014**	**319**	**-**	**87,333**
Loss on disposal of fixed assets	**6,231**	**62**	**-**	**6,293**
Impairment loss of trade receivables	**2,670**	**284**	**-**	**2,954**
Impairment loss/(reversal of impairment loss) of inventories	**457**	**(81)**	**-**	**376**

3 Segment reporting *(continued)*

(a) Segment results *(continued)*

	For the year ended 30 June 2022			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
External revenue	6,453,157	504,128	-	6,957,285
Inter-segment revenue	438,718	5,590	(444,308)	-
Total revenue	6,891,875	509,718	(444,308)	6,957,285
Timing of revenue recognition				
At a point in time	2,453,371	452,175	(436,858)	2,468,688
Over time	4,438,504	57,543	(7,450)	4,488,597
	6,891,875	509,718	(444,308)	6,957,285
EBITDA	2,570,822	4,507	-	2,575,329
Depreciation, amortization and loss on disposal	(1,823,970)	(7,737)	-	(1,831,707)
Operating profit/(loss)	746,852	(3,230)	-	743,622
Expected credit loss on financial assets at amortized cost				(31,000)
Finance income				32,635
Finance costs				(145,440)
Profit before income tax				599,817
Other information				
Additions to fixed assets	704,897	3,546	-	708,443
Additions to intangible assets	2,217,034	-	-	2,217,034
Depreciation of fixed assets	636,090	3,255	-	639,345
Depreciation of right-of-use assets	665,087	3,827	-	668,914
Amortization of intangible assets	431,828	-	-	431,828
Amortization of customer acquisition costs	79,733	640	-	80,373
Loss on disposal of fixed assets	11,232	15	-	11,247
Impairment loss of trade receivables	608	676	-	1,284
(Reversal of)/impairment loss of inventories	(5,112)	9	-	(5,103)

Sales between segments are carried out in accordance with terms mutually agreed by the relevant parties and are eliminated on consolidation.

3 Segment reporting *(continued)*

(b) Segment assets/(liabilities)

	At 30 June 2023			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**10,255,416**	**100,656**	**542,871**	**10,898,943**
Segment liabilities	**(4,955,384)**	**(104,795)**	**(754,277)**	**(5,814,456)**

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

The total of non-current assets other than interest in an associate, financial asset at fair value through other comprehensive income, financial assets at amortized cost and deferred income tax assets located in Hong Kong is $8,258,391,000 (2022: $8,739,930,000), and the total of these non-current assets located in Macau is $76,457,000 (2022: $79,159,000).

Unallocated assets consist of tax reserve certificates, interest in an associate, financial asset at fair value through other comprehensive income, financial assets at amortized cost and deferred income tax assets.

Unallocated liabilities consist of current income tax liabilities and deferred income tax liabilities.

4 Finance income

	2023	2022
	$000	$000
Interest income from financial assets at amortized cost	**19,335**	22,720
Interest income from bank deposits	**65,564**	9,737
Accretion income	**-**	178
	84,899	32,635

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

5 Finance costs

	2023	2022
	$000	$000
Interest expense on bank and other borrowings	**45,858**	62,220
Accretion expenses		
Spectrum utilization fee liabilities	**68,741**	57,809
Lease liabilities	**15,743**	13,934
Asset retirement obligations	**803**	502
Net exchange loss on financing activities	**1,548**	10,975
	132,693	145,440

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 year.

6 Profit before income tax

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

	2023 **$000**	2022 $000
Other operating expenses, net		
- Network costs	**533,434**	532,371
- Short-term and low-value leases	**28,748**	38,761
- Impairment loss of trade receivables (note 10)	**2,954**	1,284
- Auditor's remuneration		
- Audit services	**2,559**	2,553
- Non-audit services	**815**	864
- Net exchange (gain)/loss	**(664)**	1,844
- Others	**410,383**	379,785
Loss on disposal of fixed assets	**6,293**	11,247
Depreciation of fixed assets	**532,220**	639,345
Depreciation of right-of-use assets	**660,503**	668,914
Amortization of spectrum utilization fee	**473,333**	431,828
Amortization of customer acquisition costs	**87,333**	80,373
Impairment loss/(reversal of impairment loss) of inventories	**376**	(5,103)
Expected credit loss on financial assets at amortized cost (Note)	**201,257**	31,000

Note:
Expected credit loss was recognized to reflect the change in credit risk for the financial assets at amortized cost.

7 Income tax expense

This note provides an analysis of the Group's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

(a) Income tax expense

	2023 **$000**	2022 $000
Current income tax		
Hong Kong profits tax	**161,764**	173,208
Non-Hong Kong tax	**1,619**	2,292
Over-provision in prior years		
Hong Kong profits tax	**(6,139)**	(1,403)
Non-Hong Kong tax	**-**	(337)
Total current income tax expense	**157,244**	173,760
Deferred income tax expense	**27,293**	3,131
Income tax expense	**184,537**	176,891

7 **Income tax expense** *(continued)*

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2023 **$000**	2022 $000
Profit before income tax	**453,383**	599,817
Tax at the Hong Kong tax rate of 16.5% (2022: 16.5%)	**74,808**	98,970
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Anti-epidemic fund	**(144)**	(290)
Interest income	**(12,321)**	(3,617)
Net exchange loss	**254**	1,786
Expected credit loss on financial assets at amortized cost	**33,208**	5,115
Temporary differences/non-deductible expenses	**89,791**	81,478
Difference in non-Hong Kong tax tax rates	**1,682**	1,039
Over-provision in prior years	**(6,139)**	(1,740)
Tax loss not recognized	**3,398**	899
Recognition of previously unrecognized tax losses	**-**	(4,128)
Utilization of previously unrecognized tax losses	**-**	(2,621)
Income tax expense	**184,537**	176,891

8 **Earnings per share**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

	2023 **Cents**	2022 Cents
Basic earnings per share attributable to Company's shareholders	**24.3**	38.2

8 Earnings per share *(continued)*

(b) Diluted earnings per share

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

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

	2023 **Cents**	2022 Cents
Diluted earnings per share attributable to Company's shareholders	**24.3**	38.2

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

	2023 **$000**	2022 $000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	**268,846**	423,170

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

	2023 **Number**	2022 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	**1,105,815,931**	1,108,810,921
Adjustments for calculation of diluted earnings per share:		
Effect of awarded shares	**106,610**	126,555
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,105,922,541**	1,108,937,476

9 Dividends

	2023 **$000**	2022 $000
Interim dividend, paid, of 14.5 cents (2022: 14.5 cents) per fully paid share	**160,437**	160,650
Final dividend, proposed, of 17.5 cents (2022: 15.5 cents) per fully paid share	**193,631**	171,325
	354,068	331,975

At a meeting held on 1 September 2023, the directors proposed a final dividend of 17.5 cents per fully paid share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2024.

The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

10 Trade receivables

The credit periods granted by the Group to its customers generally range from 15 days to 45 days from the date of invoice (2022: same). An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2023 **$000**	2022 $000
Current to 30 days	**280,536**	269,957
31 - 60 days	**16,490**	19,284
61 - 90 days	**7,005**	6,902
Over 90 days	**47,308**	47,666
	351,339	343,809

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

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 $2,954,000 (2022: $1,284,000) for the impairment of its trade receivables during the year ended 30 June 2023.

11 Trade payables

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

	2023	2022
	$000	$000
Current to 30 days	**193,061**	141,516
31 - 60 days	**59,838**	42,727
61 - 90 days	**26,589**	12,250
Over 90 days	**37,814**	42,960
	317,302	239,453

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 30 June 2023 have been audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor's report will be included in the Annual Report.

DIVIDENDS

The Directors recommended the payment of a final dividend for the year ended 30 June 2023 of 17.5 cents per share (2021/22: 15.5 cents). The proposed final dividend, together with the interim dividend of 14.5 cents per share paid by the Company during the year (2021/22: 14.5 cents), makes a total dividend for the year of 32.0 cents per share.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be paid in cash on or about Friday, 17 November 2023 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 November 2023.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 31 October 2023. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Thursday, 26 October 2023 to Tuesday, 31 October 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, 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 Wednesday, 25 October 2023.

The record date for entitlement to the proposed final dividend is Wednesday, 8 November 2023. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 8 November 2023 during which no transfer of shares will be effected. In order to qualify for the proposed final 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 (address as per above) for registration no later than 4:30 p.m. on Tuesday, 7 November 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2023, the Company repurchased 359,500 shares of the Company on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled prior to 30 June 2023. Details of the repurchases were as follows:

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

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, and except that the trustee of the share award scheme of the Company, pursuant to the terms of the rules and trust deed of the scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 341,993 shares of the

Company at a total consideration of $1,743,000, at no time during the year ended 30 June 2023 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the financial statements of the Group for the year ended 30 June 2023 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 disclosure of data and explanations shown in the financial statements. The Committee was also satisfied that adequate and effective risk management and internal control systems have been maintained by the Group for the year ended 30 June 2023.

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

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the year ended 30 June 2023, 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.

Full details of the report on corporate governance will be set out in the Company's 2022/23 Annual Report.

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

Hong Kong, 1 September 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Ms. LAU Yeuk-hung, Fiona (Chief Executive Officer) 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.