SmarTone Telecommunications Holdings Limited

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

2023 / 2024 ANNUAL RESULTS ANNOUNCEMENT

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

- Profit attributable to equity holders was $470 million, which represented a rise of 75% when compared with the prior year. Excluding the provision made for the potential financial investment loss in the last financial year, the underlying profit this year was the same as last year
- Service revenue excluding revenue from MVNO, SMS and prepaid grew 2%
- Customer base expanded to 2.71 million; 5G penetration near 40%
- Roaming revenue increased 44%; as of June 2024, outbound roaming revenue among consumers recovered to 141% of pre-pandemic level
- A strong performance from 5G Home Broadband and Enterprise Solutions which grew 33% and 17% in revenue respectively
- The Board proposed a final dividend of 17.5 cents per share, making full year dividend per share of 32.0 cents, same as FY2023

CHAIRMAN'S STATEMENT

Business review

Under an intensely competitive landscape, the Company delivered a profit attributable to equity holders of $470 million, which represented a rise of 75% when compared with the prior year. Excluding the provision made for the potential financial investment loss in the last financial year, the underlying profit this year was the same as last year.

Throughout the year, SmarTone's business maintained a strong performance, with the company's core 5G postpaid customer base continuing to grow. Despite intense competitive pressure, our ARPU has maintained its premium, in recognition of our distinguished network and customer service. Additionally, 5G penetration increased to approximately 40%, with 5G ARPU now double that of 4G. 5G service enhances our customers' experience, and the benefits are especially clear when using video, gaming and emerging AI (e.g. ChatGPT) applications. The resilience in our customer base, coupled with the premium level of ARPU, underscores the high quality of our customers, whom we are serving with superior service and network.

The full resumption of travel over the past year has helped the Company increase its revenue through roaming. As traveling to the Mainland and overseas has become a part of life, we have given particular attention to improving the roaming experience for our customers. We have introduced a free, dedicated hotline for our roaming customers to call us for any issues. We have sent teams to popular tourist destinations such as Mainland China, Japan and UK to test for "blind spots". We work with our network partners abroad to make enhancements, and do not hesitate to change partners if their performance does not meet customer expectations. We believe this is important because good connectivity abroad is just as, if not more, important as our Hong Kong service, particularly when you need to use apps such as GoogleMap, Uber or WhatsApp (data or voice calls). We are encouraged that the percentage of our customers using our own roaming service has doubled when compared with the pre-pandemic times. The momentum and the opportunity to further improve and grow the roaming business is strong.

Our 5G Home Broadband and Enterprise Solutions have both continued to deliver promising results. Our 5G Home Broadband service has become a core growth engine for the Company. The service is easy to install, without any need to drill holes into walls or wait for a technician to come. It helps customers who are living in older buildings to enjoy fast WiFi. In remote and rural areas, it is a necessity and often the only way to get good WiFi. It also enables our customers to "work from home or anywhere" and improve their productivity. These are likely the reasons why the service has grown quickly in popularity, and why our 5G Home Broadband achieved a 33% growth in revenue and a 70% growth in EBITDA compared to last year. The Company is putting emphasis on further improving our customer experience in this service, and will invest more resources in the network and the equipment.

SmarTone's Enterprise Solutions business continued to deliver double-digit growth. In February 2024, SmarTone's AI-enabled SmarTransport solution, co-designed and adopted by KMB, was awarded the "Top 5 Best Mobile Innovation for Digital Life" under the Global Mobile Awards at the Mobile World Congress. This is a highly prestigious award, and SmarTone is the first-ever Hong Kong operator to achieve this honour. As AI applications grow in scale and effectiveness, our focus is to bring more of these solutions to our enterprise customers to enhance their operations. This will be good for Hong Kong, reinforcing its role as an innovation and technology hub. We have started to work closely with our sister companies within the SHKP Group. For instance, together with SHKP hotels we recently launched a mobile phone-based solution, which allows hotel customers to use their phone to address their needs for the stay (including remote check-in, room access, app-based housekeeping services etc). Our aspiration is to help businesses to take advantage of AI to improve their productivity, and we plan to roll out these solutions to other companies in similar industries.

Underpinning the sustainable success of the Company is a superior network experience. We have built a 5G network that has the capacity and flexibility to handle the rising usage of AI and VI (virtual intelligence) by our customers. Our network has been known to provide superior connectivity within MTR trains and stations, and we continued to invest into the deployment of the 3.3GHz and 3.5GHz "5G Golden Spectrum" in 24 major MTR stations. In support of the Government's new economic development plan, the Company has invested in the 5G network infrastructure for the Third Runway System in the Hong Kong International Airport, the Kai Tak Sports Park, and the Northern Metropolis. We put in extra effort to ensure that our coverage also extends to all major country parks, where having mobile reception enhances safety and speed up emergency response. In December 2023, the Company was awarded the "Best 5G Mobile Network Operator" by the Communications Association of Hong Kong (CAHK). SmarTone was also the proud recipient of the "Best 5G Commercial Network Operator Award" by the PCM magazine and was among the first operators to launch the mobile-to-satellite services, now available to Hong Kong citizens.

The Company operates under a highly disciplined cost management framework. Despite regular salary increases, the total operating cost for the current financial year was down 2% as compared with last year. This strong cost discipline allows us to deploy more resources to further improve the network and customer experience. It also enables us to invest in new technologies that can help enterprise customers and consumers.

The Company is handing back its mobile operator license in Macau to the Macau government. We have faced too many constraints and difficulties in delivering the top quality service in Macau that SmarTone customers expect. Hence we believe it is better that we focus our efforts and resources to further invest in our business in Hong Kong. Under our exit arrangement, we have transferred our Macau customers to a reputable local operator to ensure our Macau customers will be in good hands. We have worked out a smooth transition of our staff to the same operator to safeguard their jobs. Financially, no material write down of assets is required in our books; in fact, the exit means we no longer need to incur continuous losses for the Macau business, which amounted to more than $20 million annually for the last two years.

Dividend

The Board proposed a final dividend per share of 17.5 cents, making full year dividend per share of 32.0 cents.

Outlook

Our philosophy is that we provide superior service to our customers to earn their trust, and that we continue to invest to enhance their experience. We have invested to improve our CareApp as a primary means of digital engagement with customers for convenience. We are also further strengthening our customers' experience at the stores, because even though our customers may only occasionally come to the stores, they usually come for important matters. We believe building a trust-based and long-term relationship with our customers is the most important pillar for success. The market remains very competitive, and there are uncertainties in the macro-economy. But we believe there are new opportunities as well. Our 5G Home Broadband and Enterprise solutions are growing well, and we are committed to invest to make these businesses stronger. The emergence of AI will likely lead to more areas where we can help our customers. We will continue to invest in improving our network, as this is important for delivering a premium service for our customers as well as for Hong Kong to be an innovation and technology hub.

SmarTone's mission is to deliver the best network in Hong Kong and a network that rivals the best globally. We want to build a world-class network that makes Hong Kong proud, and we believe we have gained recognition for this effort. That said, a substantial part of our investment has not been spent on the network, but was paid in the form of spectrum fees to the government. In Mainland China, the government does not charge spectrum fees as they want to encourage operators to invest more into the network. In contrast, these spectrum fees are high in Hong Kong. In the past year alone our spectrum fees amounted to nearly $540 million, which exceeded our *entire* net profit after tax for the same period. In addition, while such fees were historically tax-deductible, the Inland Revenue Department has now deemed the spectrum fees of a certain period not tax-deductible. We strongly disagree with this position. The spectrum acquired can only be used for 15 years, which is a finite period, and during this time we cannot trade or use such spectrum for any other purpose. Hence it is a real operating cost essential for network operations, and we do not understand why it is not tax-deductible. We urge the Government to treat all spectrum cost as tax deductible. This would allow us to deploy more resources to further expand and improve on our network, and ensure Hong Kong has as advanced a digital infrastructure as the Mainland.

The fast-evolving technology landscape has led to many new opportunities, but has also created problems and threats, especially in cybersecurity. We know this is a major fear for our customers, in the consumer segment as well as the enterprise segment. Hence first and foremost we are investing resources to ensure our network is safe and that our customers' data is safe with us. We are also paying special attention to helping our customers to face up to such risks. We are offering special solutions to our customers on cybersecurity, and are also launching programs to educate and support our customers about best practices in data protection.

Appreciation

I would like to extend my heartfelt gratitude to our customers and shareholders for their support and trust, as well as to my fellow directors for their continuing guidance. To our staff, I would like to express my sincere thanks for their unwavering commitment, professionalism, dedication, and hard work which are the cornerstone of our success.

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 3 September 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the year under review, the Group's profit attributable to shareholders maintained at $470 million, as compared to $269 million for last financial year. Excluding the recognition of expected credit loss on financial assets at amortized cost of $201 million, the underlying net profit of the Group was $470 million in last year.

The total revenue of the Group was $6,221 million, a drop by 8% as compared to $6,763 million in last financial year. The decline was mainly driven by the reduced handset and accessory sales, while the gross profit from these sales was $21 million, remaining stable when compared with last year. Our total service revenue was down marginally by 1% year-on-year to $4,509 million (2022/23: $4,546 million), while our service revenue excluding revenue from prepaid, MVNO and SMS businesses has shown a high level of resilience with a growth of 2% over the year. This was mainly driven by the continued recovery of roaming business together with the continuous growth of our 5G Home Broadband products and enterprise solutions, which has compensated the pressure from the fierce competition landscape in the Hong Kong mobile market.

Cost of services provided increased 5% to $410 million (2022/23: $392 million), which was in line with the corresponding increase in revenue from roaming and enterprise solutions businesses. Service revenue gross margin remained stable at 91%.

The Group has continued to devote significant effort in tightening cost discipline and improving operation efficiency during the year. Accordingly, our staff costs and other operating expenses were reduced by 2% and 1%, to $713 million and $965 million, respectively. We decided to return the operating license in Macau, and will focus the Group's resources on the Hong Kong market. We believe the decision will benefit the Group financially in long term.

Depreciation, amortization and loss on disposal decreased by $19 million or 1% to $1,741 million (2022/23: $1,760 million), mainly due to reduced depreciation charges of network equipment and computer equipment given our cautious control over capital expenditure in recent years.

At the back of the Group's strong net cash position, our net finance costs (including accretion expenses on spectrum utilization fee and lease liabilities) was reduced from $48 million to $37 million in this year as the result of full repayment of a guarantee note of $1.4 billion in last financial year.

Income tax expense amounted to $193 million (2022/23: $185 million), reflecting an effective tax rate of 29.1% (2022/23: 28.2% based on profit before expected credited loss on financial assets at amortized cost). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, certain related payments have been treated as non-deductible in calculating the tax provision, which attributes to the Group effective tax rate being higher than 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. As at 30 June 2024, the Group's current income tax liabilities of $658 million consists of $570 million provision which has been made on the assumption that all spectrum utilization fee payments were not tax deductible. At the same time, tax reserve certificates of $385 million have been purchased by the Group in this regard.

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 share capital and internally generated funds. As at 30 June 2024, the Group had a total equity of $5,186 million, including share capital and reserves of $110 million and $5,076 million, respectively.

The Group's cash resources remained robust with cash and bank balances of $1,577 million as at 30 June 2024 (30 June 2023: $1,155 million). Total borrowings of the Group was $64 million as at 30 June 2024, as compared to $66 million as at 30 June 2023.

The Group has generated net cash from operating activities of $2,162 million during the year (2022/23: $2,254 million). Other than normal operating cash payments, the Group's major outflows of funds during the year were payments for purchase of fixed assets, spectrum utilization fee, leases, taxation and dividends.

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 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 has arranged for banks to issue performance bonds and letters of credit on its behalf for operation needs.

Charges on assets

The Group's bank borrowing were secured by certain assts of the Group and the carrying amount of the pledged assets amounted to $63 million as at 30 June 2024 (30 June 2023: $65 million).

Interest rate exposure

As at 30 June 2024, the Group's total borrowing of $64 million is subject to floating interest rate. 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 denominated in United States dollars. The trade payables denominated in United States dollars is partially hedged with our deposits in United Sates dollars.

Contingent liabilities

As at 30 June 2024, the Group provided performance guarantees of $523 million (30 June 2023: $623 million).

Employees, share award scheme and share option scheme

The Group had 1,756 full-time employees as at 30 June 2024 (30 June 2023: 1,830), with the majority of them based in Hong Kong. Total staff costs were $713 million for the year ended 30 June 2024 (2022/23: $731 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, no unvested share (30 June 2023: Nil) was outstanding as at 30 June 2024.

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. As at 30 June 2024, 4,000,000 share options were outstanding (30 June 2023: 4,000,000).

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 2024 and the consolidated balance sheet as at 30 June 2024 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account
For the year ended 30 June 2024

	Notes	**2024 $000**	2023 $000
Service revenue and other related service		**4,508,713**	4,546,174
Handset and accessory sales		**1,712,538**	2,216,710
Revenues	3	**6,221,251**	6,762,884
Cost of inventories sold		**(1,691,876)**	(2,199,365)
Cost of services provided		**(410,387)**	(392,289)
Staff costs		**(712,825)**	(730,885)
Other operating expenses, net	6	**(964,576)**	(978,229)
Depreciation, amortization and loss on disposal	6	**(1,740,985)**	(1,759,682)
Operating profit		**700,602**	702,434
Expected credit loss on financial assets at amortized cost	6	**-**	(201,257)
Finance income	4	**67,854**	84,899
Finance costs	5	**(105,280)**	(132,693)
Profit before income tax	6	**663,176**	453,383
Income tax expense	7(a)	**(193,050)**	(184,537)
Profit after income tax		**470,126**	268,846
Profit attributable to Company's shareholders		**470,126**	268,846
Earnings per share for profit attributable to Company's shareholders during the year (expressed in cents per share)	8		
Basic		**42.6**	24.3
Diluted		**42.6**	24.3

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2024

	2024 **$000**	2023 $000
Profit for the year	**470,126**	268,846
Other comprehensive loss		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	**112**	(1,138)
Item that will not be reclassified subsequently to profit and loss:		
Fair value loss on financial asset at fair value through other comprehensive income	**(640)**	(8,903)
Other comprehensive loss for the year	**(528)**	(10,041)
Total comprehensive income for the year attributable to Company's shareholders	**469,598**	258,805

Consolidated Balance Sheet
At 30 June 2024

	Notes	**2024** **$000**	2023 $000
Non-current assets			
Fixed assets		**3,017,019**	2,925,297
Customer acquisition costs		**93,304**	101,702
Contract assets		**27,647**	32,241
Right-of-use assets		**867,416**	764,873
Interest in an associate		**3**	3
Financial asset at fair value through other comprehensive income		**6,651**	7,291
Financial assets at amortized cost		**28,305**	147,832
Intangible assets		**3,958,076**	4,431,409
Deposits and prepayments		**151,420**	79,326
Deferred income tax assets		**3,128**	6,447
Total non-current assets		**8,152,969**	8,496,421
Current assets			
Cash and cash equivalents		**1,576,915**	1,155,152
Contract assets		**101,830**	93,287
Trade receivables	10	**410,315**	351,339
Deposits and prepayments		**259,858**	252,548
Other receivables		**83,793**	62,565
Financial assets at amortized cost		**100,817**	21,749
Inventories		**107,069**	106,333
Tax reserve certificates	7(b)	**384,709**	359,549
Total current assets		**3,025,306**	2,402,522
Current liabilities			
Trade payables	11	**366,208**	317,302
Other payables and accruals		**747,888**	660,926
Contract liabilities		**397,804**	357,568
Lease liabilities		**543,633**	532,088
Current income tax liabilities	7(b)	**657,806**	611,198
Bank borrowings		**2,200**	2,200
Spectrum utilization fee liabilities		**228,366**	222,922
Total current liabilities		**2,943,905**	2,704,204

Consolidated Balance Sheet
At 30 June 2024

	2024	2023
	$000	$000
Non-current liabilities		
Asset retirement obligations	**51,811**	63,309
Contract liabilities	**8,496**	6,940
Lease liabilities	**355,743**	254,906
Bank borrowings	**61,600**	63,800
Spectrum utilization fee liabilities	**2,412,756**	2,578,218
Deferred income tax liabilities	**158,315**	143,079
Total non-current liabilities	**3,048,721**	3,110,252
Net assets	**5,185,649**	5,084,487
Capital and reserves		
Share capital	**110,226**	110,646
Reserves	**5,075,423**	4,973,841
Total equity	**5,185,649**	5,084,487

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.

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 3 September 2024.

2 Summary of material accounting policies

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

(a) Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Companies Ordinance ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with HKFRS and disclosure requirements of the HKCO 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.

(ii) New standard and amendments to standards adopted by the Group

The Group has applied the following new standard and amendments to standards for the first time for its annual reporting commencing on 1 July 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Account Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKAS 17 (Amendments)	Initial application of HKFRS 17 and HKFRS 9 – Comparative information

The adoption of these new standard and amendments to standards did not have any material effect on the results and financial position of the Group.

2 **Summary of material accounting policies** *(continued)*

(a) Basis of preparation *(continued)*

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

Certain new standard and amendments to standards and interpretations to existing standards have been published that are not mandatory for 30 June 2024 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]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[1]
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[1]
HKAS 21 (Amendments)	Lack of Exchangeability[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[4]
HKFRS 18	Presentation and Disclosure in Financial Statements[5]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[5]

[1] Effective for annual periods beginning on or after 1 January 2024.
[2] To be determined
[3] Effective for annual periods beginning on or after 1 January 2025.
[4] Effective for annual periods beginning on or after 1 January 2026.
[5] Effective for annual periods beginning on or after 1 January 2027.

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

3 Revenues

Revenues comprise revenues from the provisions of mobile telecommunications services and the sales of handsets and accessories. An analysis of revenues is as follows:

	2024 **$000**	2023 $000
Mobile telecommunications services	**4,508,713**	4,546,174
Handsets and accessories sales	**1,712,538**	2,216,710
	6,221,251	6,762,884

The Group's revenues from the provisions of services and delivery of goods by timing of satisfaction of performance obligations are as follows:

	2024 **$000**	2023 $000
Timing of revenue recognition:		
Over time	**4,508,713**	4,546,174
At a point in time	**1,712,538**	2,216,710
	6,221,251	6,762,884

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purpose of resource allocation and performance assessment, the Group has identified only one reportable segment, which is mobile telecommunications business.

4 Finance income

	2024 **$000**	2023 $000
Interest income from financial assets at amortized cost	**6,937**	19,335
Interest income from bank deposits	**60,917**	65,564
	67,854	84,899

5 Finance costs

	2024 $000	2023 $000
Interest expense on bank and other borrowings	**2,338**	45,858
Accretion expenses		
Spectrum utilization fee liabilities	**64,981**	68,741
Lease liabilities	**34,729**	15,743
Asset retirement obligations	**493**	803
Net exchange loss on financing activities	**361**	1,548
Loss on early redemption of financial assets at amortized cost	**2,378**	-
	105,280	132,693

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:

	2024 $000	2023 $000
Other operating expenses, net		
- Network costs	**568,023**	533,434
- Short-term and low-value leases	**30,979**	28,748
- Impairment loss of trade receivables (note 10)	**2,970**	2,954
- Auditor's remuneration		
- Audit services	**2,558**	2,559
- Non-audit services	**840**	815
- Net exchange gain	**(1,423)**	(664)
- Others	**360,629**	410,383
Loss on disposal of fixed assets	**9,425**	6,293
Depreciation of fixed assets	**525,909**	532,220
Depreciation of right-of-use assets	**644,754**	660,503
Amortization of spectrum utilization fee	**473,333**	473,333
Amortization of customer acquisition costs	**87,564**	87,333
(Reversal of impairment loss)/impairment loss of inventories	**(1,671)**	376
Expected credit loss on financial assets at amortized cost (Note)	**-**	201,257

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

7 Income tax

(a) Income tax in the consolidated profit and loss account reports:

	2024 **$000**	2023 $000
Current income tax		
Hong Kong profits tax	**172,700**	161,764
Non-Hong Kong tax	**1,700**	1,619
Under/(over)-provision in prior years		
Hong Kong profits tax	**95**	(6,139)
Total current income tax expense	**174,495**	157,244
Deferred income tax expense	**18,555**	27,293
Income tax expense	**193,050**	184,537

A reconciliation of the tax expense applicable to profit before income tax at the Hong Kong tax rate to the income tax expense at the Group's effective tax rate is as follows:

	2024 **$000**	2023 $000
Profit before income tax	**663,176**	453,383
Tax at the Hong Kong tax rate of 16.5% (2023: 16.5%)	**109,424**	74,808
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Anti-epidemic fund	**-**	(144)
Interest income	**(10,996)**	(12,321)
Net exchange loss	**56**	254
Expected credit loss on financial assets at amortized cost	**-**	33,208
Temporary differences/non-deductible expenses	**88,739**	89,791
Difference in non-Hong Kong tax tax rates	**1,885**	1,682
Under/(over)-provision in prior years	**95**	(6,139)
Tax loss not recognized	**3,847**	3,398
Income tax expense	**193,050**	184,537

(b) Included in the current income tax liabilities was a provision of $570 million (2023: $496 million) which has been made on the assumption that all spectrum utilization fee and related payments by the Group were not tax deductible. The Group is still in progress of pursuing tax deduction for these payments with the Inland Revenue Department. At the same time, tax reserve certificates totalling $385 million (2023: $360 million) have been purchased in this regard.

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.

	2024 **Cents**	2023 Cents
Basic earnings per share attributable to Company's shareholders	**42.6**	24.3

(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.

	2024 **Cents**	2023 Cents
Diluted earnings per share attributable to Company's shareholders	**42.6**	24.3

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

	2024 **$000**	2023 $000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	**470,126**	268,846

8 Earnings per share *(continued)*

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

	2024 Number	2023 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	**1,103,917,568**	1,105,815,931
Adjustments for calculation of diluted earnings per share:		
Effect of awarded shares	**2,172**	106,610
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,103,919,740**	1,105,922,541

9 Dividends

	2024 $000	2023 $000
Interim dividend, paid, of 14.5 cents (2023: 14.5 cents) per fully paid share	**160,004**	160,437
Final dividend, proposed, of 17.5 cents (2023: 17.5 cents) per fully paid share	**192,895**	193,117
	352,899	353,554

At a meeting held on 3 September 2024, 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 2025.

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 (2023: same). An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2024	2023
	$000	$000
Current to 30 days	**323,423**	280,536
31 - 60 days	**14,989**	16,490
61 - 90 days	**10,152**	7,005
Over 90 days	**61,751**	47,308
	410,315	351,339

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 $2,970,000 (2023: $2,954,000) for the impairment of its trade receivables during the year ended 30 June 2024.

11 Trade payables

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

	2024	2023
	$000	$000
Current to 30 days	**146,192**	193,061
31 - 60 days	**81,128**	59,838
61 - 90 days	**52,846**	26,589
Over 90 days	**86,042**	37,814
	366,208	317,302

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 30 June 2024 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 2024 of 17.5 cents per share (2022/23: 17.5 cents). The proposed final dividend, together with the interim dividend of 14.5 cents per share paid by the Company during the year (2022/23: 14.5 cents), makes a total dividend for the year of 32.0 cents per share (2022/23: $32.0 cents).

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, 22 November 2024 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 13 November 2024.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 5 November 2024. 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, 31 October 2024 to Tuesday, 5 November 2024, 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, 17^{th} Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 30 October 2024.

The record date for entitlement to the proposed final dividend is Wednesday, 13 November 2024. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 13 November 2024 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, 12 November 2024.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2024, the Company repurchased 4,205,500 shares of the Company on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled prior to 30 June 2024. 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 2023	1,923,500	4.10	3.98	7,801,000
October 2023	1,014,500	4.06	3.92	4,040,000
November 2023	50,000	3.94	3.92	197,000
March 2024	398,000	3.85	3.82	1,524,000
April 2024	819,500	3.84	3.76	3,114,000
	4,205,500			16,676,000

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 year ended 30 June 2024 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 2024 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 2024.

The financial information disclosed above complies with the disclosure requirements of Appendix D2 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 2024, the Company has applied the principles and complied with the requirements set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 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. Code Provision F.2.2 of the CG Code also provides that the chairman of the board should attend the annual general meeting. Mr. Kwok Ping-luen, Raymond, Non-Executive Director and Chairman of the Board, and Mr. Gan Fock-kin, Eric, Independent Non-Executive Director, were unable to attend the annual general meeting of the Company held on 31 October 2023 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 80% 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. Mr. Fung Yuk-lun, Allen, Executive Director and Deputy Chairman of the Board, took the chair of the said meeting pursuant to the Bye-laws of the Company

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 2023/24 Annual Report.

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

Hong Kong, 3 September 2024

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, Mr. SIU Hon-wah, Thomas and Dr. POON Sun-cheong, Partick; 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.