SmarTone Telecommunications Holdings Limited

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

2014 / 2015 INTERIM RESULTS ANNOUNCEMENT

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

- Group total revenue increased to $8,673 million, an increase of 33% compared to the same period last year
- Group EBITDA increased to $1,469 million, 11% higher than the same period last year and 19% higher than the previous half
- Group EBIT increased to $623 million, 51% higher than the same period last year and 58% higher than the previous half
- Net profit increased to $466 million, 50% higher than the same period last year and 106% higher than the previous half
- Interim dividend of $0.27 per share, increase of 50% over the same period last year, and 108% over the previous half

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the six months ended 31 December 2014.

Financial Highlights

In the period under review, the Company results recovered from the low in second half FY14. Total revenue increased to $8,673 million, a 29% increase over the previous half, and a 33% increase compared to the same period last year. Service revenue increased 4% on the previous half year, whilst still down 2% on the same period last year. Revenue from handset sales increased significantly, generating higher handset profit. In line with the recovery in revenue, EBITDA increased to $1,469 million, 19% higher on the previous half and 11% compared to the same period last year. Net profit more than doubled over the previous half and increased 50% compared to the same period last year, to $466 million.

Dividend

In line with our dividend policy of 60% payout of profit attributable to equity holders excluding extraordinary items, your Board declares an interim dividend of 27 cents per share, an increase of 50% compared to the same period last year and 108% over the previous half. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

Reflecting the recovery in the first half of FY15, group service revenue increased 4% on the previous six months while still 2% down on the same period last year. The growth in service revenue came from customers upgrading to higher tier plans and increased customer numbers in both postpaid and prepaid.

Over the period, there has been a migration of customers from handset-bundled plans to SIM-only plans, resulting in lower ARPU and service revenue. This had little effect on profitability as the lower revenue was largely offset by a corresponding reduction in handset subsidy amortization. Group service revenue, net of handset subsidy amortisation, increased 7% over the previous six months and 4% on the same period last year.

Customer number increased 4% to 1.95 million, largely from intake of 3G speed-capped plan customers. Average mobile postpaid churn has been stable at 1.0%. Postpaid ARPU stands at $293, incorporating the dilutive effect of the uptake of the lower-priced 3G speed-capped plan. Excluding 3G speed-capped plan customers, postpaid ARPU increased 3% over the previous half and 1% compared to the same period last year.

The Company has largely completed the refarming of its 2G 900MHz spectrum for 4G LTE, providing additional mobile broadband capacity. Use of this low band frequency has further improved indoor 4G LTE coverage. Rollout of 4G LTE at 2,600MHz has commenced at high traffic locations, and together with the implementation of LTE-Advanced, will provide further improvements in network performance and capacity.

SmarTone acquired additional 2,100MHz spectrum and renewed one-third of its existing 2,100MHz spectrum at close to the reserve price at the Government auction in December. It also renewed its remaining 2,100MHz spectrum at the Government-mandated minimum price. The renewal of the existing 2,100MHz spectrum at the new spectrum utilization fee represents a 36% increase from existing fee, and together with the additional block of spectrum acquired, will represent an increase in spectrum cost of approximately $50 million per annum. SmarTone is committed to invest prudently to enhance performance and customer experience, and the additional 2,100MHz spectrum acquired will provide greater flexibility in refarming and capacity expansion in the future.

SmarTone's focus on quality and innovation together with its exclusive proprietary services has helped enhance customer satisfaction, stimulate demand and grow service revenue. Rising costs from spectrum–related costs, increasing customer data usage, rental and general inflation necessitate vigorous cost control, and further efforts will be directed to this end. This includes taking advantage of social media to better engage and communicate with both customers and prospects in a more cost effective manner, leveraging on SmarTone's branded Facebook page with over 300,000 fans, one of the largest in Hong Kong across all categories and brands.

Prospects

The Company will continue to focus on network performance, quality customer care and exclusive services in order to deliver an outstanding experience and meaningful value to customers. This enables SmarTone to differentiate and sustainably increase its competitiveness in the market. Continuing efforts will be made to upgrade customers and increase customer adoption of services to drive revenue growth, while keeping costs under control.

With a strong brand and a healthy financial position, the Company is well-placed to face industry challenges and bring value to both customers and shareholders in the long term.

Appreciation

During the period under review, Mr. Cheung Wing-yui and Mr. Fung Yuk-lun, Allen, both being Non-Executive Directors, have been appointed as Deputy Chairmen of SmarTone. I would like to congratulate both Mr. Cheung and Mr. Fung on their new positions.

I would also like to take this opportunity to express my gratitude to our customers and shareholders for their continuing support, my fellow directors for their guidance as well as our staff for their dedication and hard work.

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 17 February 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

The Group experienced a recovery from the low in the second half of 2013/14.

Compared with the second half of 2013/14, Group's revenue increased by 29% to $8,673 million (second half of 2013/14: $6,713 million), comprising a 45% increase in handset and accessory sales and a 4% increase in service revenue. EBITDA rose by 19% to $1,469 million (second half of 2013/14: $1,234 million). Profit attributable to equity holders of the Company rose by 106% to $466 million (second half of 2013/14: $226 million).

Compared with the same period last year, Group's revenue increased by 33% to $8,673 million (first half of 2013/14: $6,531 million), comprising a 58% increase in handset and accessory sales, partly offset by a 2% decline in service revenue. EBITDA rose by 11% to $1,469 million (first half of 2013/14: $1,329 million). Profit attributable to equity holders of the Company rose by 50% to $466 million (first half of 2013/14: $311 million).

Revenues rose by $2,142 million or 33% to $8,673 million when compared with $6,531 million for the first half of 2013/14, and rose by $1,959 million or 29% when compared with $6,713 million for the second half of 2013/14.

- Service revenue declined by $43 million or 2% to $2,745 million (first half of 2013/14: $2,789 million) driven by lower local mobile service revenue and roaming revenue. Local service revenue declined by 2% amidst continuing customers' migration from handset-bundled plans to SIM-only price plans in the past 12 months, partly offset by revenue increase from growth in customer numbers. Such decrease in local service revenue was fully offset by the $127 million decline in handset subsidy amortisation. As a result, local service revenue net of handset subsidy amortisation actually increased by 5%.

  Compared with the second half of 2013/14, local service revenue rose by 4% amid migration to new tariffs by mid and high tier customers and higher customer numbers. Handset subsidy amortisation fell by $34 million. As a result, local service revenue net of handset subsidy amortisation was 7% higher than the second half of 2013/14.

  The drop in roaming revenue as compared with first half of 2013/14 was due to the impact of continuing global downward trend in inter-operator tariffs as well as reduced voice and SMS roaming traffic amidst cannibalisation by over-the-top applications. Increase in roaming revenue as compared with the second half of 2013/14 was mainly due to seasonal factors.

The Group achieved a 4% year-on-year growth in its Hong Kong customer base. Fully blended ARPU decreased by 6% to $229 (first half of 2013/14: $243) amidst customers' migration from handset-bundled plans to SIM-only price plans, dilution from the lower-priced 3G speed-capped plans and decrease in roaming revenue. Compared with the second half of 2013/14, fully blended ARPU rose by 2% to $229 (second half of 2013/14: $226) amid higher prepaid ARPU and migration to new tariffs by mid and high tier customers, offset by continuing customers' migration to SIM-only plans and dilution from 3G speed-capped plan.

- Handset and accessory sales rose by $2,185 million or 58% to $5,927 million when compared with $3,742 million for the first half of 2013/14 and rose by $1,848 million or 45% when compared with $4,080 million for the second half of 2013/14. Both sales volume and average unit selling price increased.

Cost of inventories sold rose by $1,974 million or 53% to $5,675 million when compared with $3,702 million for the first half of 2013/14 and rose by $1,634 million or 40% as compared with $4,041 million for the second half of 2013/14. Such increase was broadly in line with the increase in handset and accessory sales.

Staff costs rose by $14 million or 4% to $356 million (first half of 2013/14: $342 million) mainly amid higher bonus provision and annual salary adjustment. Compared with the second half of 2013/14, staff costs rose by $19 million or 6% (second half of 2013/14: $337 million) mainly amid higher bonus provision. Excluding bonus provision, staff costs were actually lower.

Other operating expenses rose by $14 million or 1% to $1,172 million (first half of 2013/14: $1,158 million). Increase in network operating costs, rental and utilities and general and administrative expenses were partly offset by lower cost of services provided. Compared with the second half of 2013/14, other operating expenses rose by $71 million or 6% to $1,172 million (second half of 2013/14: $1,102 million). Increase in sales and marketing expenses and general administrative expenses due to launch of a popular handset model were the main reasons for the increase.

Depreciation and loss on disposal increased by $33 million or 10% to $361 million when compared with $327 million for the first half of 2013/14 and rose by $18 million or 5% when compared with $342 million for the second half of 2013/14. Such increase arose from higher capital expenditure incurred in the past 2 years for the rollout of 4G LTE network as well as general capacity enhancement to cater for increasing data usage by customers.

Handset subsidy amortisation fell by $127 million or 25% to $391 million when compared with $518 million for the first half of 2013/14 and fell by $34 million or 8% when compared with $425 million for the second half of 2013/14. Such decline was due to continuing customers' migration from handset-bundled plans to SIM-only plans in the past 12 months.

Mobile license fee amortisation rose by $23 million or 32% to $95 million as compared with both first half and second half of 2013/14 (first half of 2013/14: $72 million; second half of 2013/14: $72 million) due to the commencement of amortisation of licence fee for 2,600 MHz spectrum during the period under review.

Finance income rose slightly by $4 million to $32 million when compared with $28 million for the first half of 2013/14 and $3 million when compared with $29 million for the second half of 2013/14 amid higher average balance of bank deposits, partly offset by lower return on surplus cash.

Finance costs excluding exchange gain increased slightly by $2 million to $96 million (first half of 2013/14: $94 million) driven by higher bank borrowings and handset instalment charges, partly offset by lower accretion expenses on mobile license fee liabilities.

Compared with the second half of 2013/14, finance costs excluding exchange gain increased by $7 million (second half of 2013/14: $89 million) driven by higher handset instalment charges due to significantly higher sales of a popular handset model, partly offset by lower accretion expenses on mobile license fee liabilities.

Exchange gain related to cash, bank deposits and borrowings amounted to $5 million (first half of 2013/14: $18 million). Exchange loss related to cash, bank deposits and borrowings for the second half of 2013/14 amounted to $36 million.

Income tax expense amounted to $96 million (first half of 2013/14: $56 million), reflecting an effective tax rate of 17.1% (first half of 2013/14: 15.4%). Excluding the impact of non-taxable items, effective tax rate would have been 18.3% (first half of 2013/14: 17.6%).

Effective tax rate for the second half of 2013/14 was 25%, driven by an income tax provision of $22 million recorded in the second half of 2013/14, in light of the uncertainty of the tax deductibility of certain upfront payments for spectrum utilisation fees. Excluding this tax provision, effective tax rate for the second half of 2013/14 would have been 17.6%.

Macau operations turned from an operating loss of $9 million for the first half of 2013/14 to an operating profit of $4 million for the first half of 2014/15 amid higher contribution from handset and roaming business.

Macau operations improved from an operating loss of $7 million for the second half of 2013/14 to an operating profit of $4 million for the first half of 2014/15 amid higher contribution from handset business.

Capital structure, liquidity and financial resources

During the period under review, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 31 December 2014, the Group recorded share capital of $105 million, total equity of $3,597 million and total borrowings of $3,003 million.

The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) of $3,304 million as at 31 December 2014 (30 June 2014: $3,165 million).

As at 31 December 2014, the Group had bank and other borrowings of $3,003 million (30 June 2014: $2,840 million) of which 81% were denominated in United States dollars and were arranged on a fixed rate basis. Net cash, after deducting bank and other borrowings, amounted to $301 million as at 31 December 2014 (30 June 2014: $324 million). Net cash to EBITDA (annualised) was 10% as at 31 December 2014 (30 June 2014: 13%).

The Group had net cash generated from operating activities and interest received of $1,441 million and $22 million respectively during the period ended 31 December 2014. Excluding purchase of tax reserve certificate of $252 million during the period, net cash generated from operating activities would have been $1,694 million. The Group's major outflows of funds during the period were payments for tax reserve certificate, additions of handset subsidies, purchase of fixed assets, mobile licence fees and dividends.

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 2015 with internal cash resources and available banking facilities.

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. Bank deposits are predominantly maintained in Hong Kong dollars and Renminbi.

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 collateralise such instruments by bank deposits to lower the issuance costs.

Charges on assets

As at 31 December 2014, certain bank deposits of the Group, in aggregate amount of $6 million (30 June 2014: $6 million), were pledged for securing guarantees issued by the banks. In addition, 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 $86 million as at 31 December 2014 (30 June 2014: $87 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 19% of the Group's total borrowings at 31 December 2014. The remaining 81% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential rising interest rates in the next few years. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, available-for-sale financial assets, trade payables and bank and other borrowings denominated in Renminbi and United States dollars. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

Performance bonds

Certain banks, on the Group's behalf, had issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under mobile licences issued by those authorities. The total amount outstanding as at 31 December 2014 under these performance bonds was $396 million (30 June 2014: $527 million).

During the six months ended 31 December 2014, a bank issued a standby letter of credit of $1,306,800,000 to a subsidiary of the Company in favor of the Office of Communications Authority ("OFCA") regarding the acceptance of the offer of the right of first refusal for the re-assignment of one of the spectrum.

A bank also issued a standby letter of credit with amount of $960,000,000 to a subsidiary of the Company in favor of OFCA for submission of a deposit to participate in the auction for one of the spectrum. This standby letter of credit will be cancelled and replaced by another letter of credit of $980,400,000, being the final amount of spectrum utilisation fees determined during the auction, to be issued in March 2015.

Employees and share option scheme

The Group had 2,200 full-time employees as at 31 December 2014 (30 June 2014: 2,137), with the majority of them based in Hong Kong. Total staff costs were $356 million for the period ended 31 December 2014 (first half of 2013/14: $342 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.

The Group has share option schemes 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, no new share options were granted; 52,500 share options were exercised; and 600,000 share options were cancelled or lapsed. 31,690,000 (30 June 2014: 32,342,500) share options were outstanding as at 31 December 2014.

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the "Company") is pleased to present the consolidated profit and loss account and consolidated statement of comprehensive income for the six months ended 31 December 2014 and the consolidated balance sheet as at 31 December 2014 of the Company and its subsidiaries (the "Group"), all of which are unaudited and condensed, along with selected explanatory notes.

Condensed Consolidated Profit and Loss Account
For the six months ended 31 December 2014

	Note	Unaudited six months ended 31 December **2014** **$000**	 2013 $000 (Note 13)
Service revenue		**2,745,469**	2,788,749
Handset and accessory sales		**5,927,270**	3,742,190
Revenues	4	**8,672,739**	6,530,939
Cost of inventories sold		**(5,675,402)**	(3,701,563)
Staff costs		**(355,975)**	(341,928)
Other operating expenses		**(1,172,477)**	(1,158,351)
Depreciation, amortisation and loss/gain on disposal	7	**(846,081)**	(916,697)
Operating profit		**622,804**	412,400
Finance income	5	**32,365**	28,090
Finance costs	6	**(91,589)**	(76,036)
Profit before income tax	7	**563,580**	364,454
Income tax expense	8	**(96,344)**	(56,013)
Profit after income tax		**467,236**	308,441
Attributable to			
Equity holders of the Company		**466,289**	311,299
Non-controlling interests		**947**	(2,858)
		467,236	308,441
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**44.6**	30.0
Diluted		**44.6**	30.0
Interim dividend declared	10	**282,693**	186,726

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2014

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
Profit for the period	**467,236**	308,441
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain on financial investments, net of tax	**4,777**	964
Currency translation differences	**433**	484
Other comprehensive income for the period, net of tax	**5,210**	1,448
Total comprehensive income for the period	**472,446**	309,889
Total comprehensive income attributable to		
Equity holders of the Company	**471,499**	312,747
Non-controlling interests	**947**	(2,858)
	472,446	309,889

Condensed Consolidated Balance Sheet
As at 31 December 2014 and 30 June 2014

	Note	**Unaudited 31 December 2014 $000**	Audited 30 June 2014 $000
Non-current assets			
Leasehold land and land use rights		**14,396**	14,651
Fixed assets		**3,237,858**	3,396,056
Interest in an associate		**3**	3
Intangible assets		**2,597,023**	2,378,052
Deposits and prepayments		**89,499**	78,430
Deferred income tax assets		**6,864**	7,341
		5,945,643	5,874,533
Current assets			
Inventories		**257,133**	80,350
Financial investments		**9,492**	4,715
Trade receivables	11	**371,925**	435,749
Deposits and prepayments		**191,837**	179,168
Other receivables		**87,757**	52,746
Tax reserve certificate		**252,362**	-
Pledged bank deposits		**6,463**	6,269
Short-term bank deposits		**1,304,742**	1,321,651
Cash and cash equivalents		**1,993,161**	1,836,773
		4,474,872	3,917,421
Current liabilities			
Trade payables	12	**574,751**	778,119
Other payables and accruals		**674,829**	859,250
Current income tax liabilities		**436,156**	343,065
Bank borrowings		**124,899**	100,901
Customer prepayments and deposits		**695,346**	488,338
Deferred income		**338,844**	192,319
Mobile licence fee liabilities		**164,142**	186,741
		3,008,967	2,948,733
Net current assets		**1,465,905**	968,688
Total assets less current liabilities		**7,411,548**	6,843,221
Non-current liabilities			
Customer prepayments and deposits		**366,916**	148,144
Asset retirement obligations		**58,434**	58,636
Bank and other borrowings		**2,878,565**	2,739,317
Mobile licence fee liabilities		**367,096**	502,192
Deferred income tax liabilities		**143,714**	145,402
		3,814,725	3,593,691
Net assets		**3,596,823**	3,249,530

Condensed Consolidated Balance Sheet
As at 31 December 2014 and 30 June 2014

	Unaudited 31 December 2014 $000	Audited 30 June 2014 $000
Capital and reserves		
Share capital	**104,695**	104,599
Reserves	**3,434,213**	3,087,963
Total equity attributable to equity holders of the Company	**3,538,908**	3,192,562
Non-controlling interests	**57,915**	56,968
Total equity	**3,596,823**	3,249,530

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

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

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

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

These unaudited condensed consolidated interim financial information ("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 17 February 2015.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2014 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2014, as described in those annual financial statements.

(a) Amendments to standards relevant to and adopted by the Group

The following amendments to standards are mandatory and relevant to the Group for the financial year beginning on 1 July 2014.

Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

The adoption of the above 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.

3 **Accounting policies** *(continued)*

(b) New standards and amendments to standards have been issued but are not yet effective and have not been early adopted by the Group

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 July 2014 and have not been early adopted.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle[2]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10 and HKAS 28 (Amendments)	Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[3]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 July 2016.
[3] Effective for annual periods beginning on or after 1 January 2017.
[4] Effective for annual periods beginning on or after 1 January 2018.

4 **Segment information**

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 considers the business from a geographic perspective. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortisation and gain/loss on disposal (“EBITDA”) and operating profit.

4 **Segment information** *(continued)*

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 2014			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**8,554,367**	**321,599**	**(203,227)**	**8,672,739**
EBITDA	**1,435,601**	**33,284**	**-**	**1,468,885**
Depreciation, amortisation and loss on disposal	**(817,092)**	**(29,225)**	**236**	**(846,081)**
Operating profit	**618,509**	**4,059**	**236**	**622,804**
Finance income				**32,365**
Finance costs				**(91,589)**
Profit before income tax				**563,580**

	Unaudited six months ended 31 December 2013			
	Hong Kong	Macau	Elimination	Consolidated
	$000	$000	$000	$000
				(Note 13)
Revenues	6,441,655	279,005	(189,721)	6,530,939
EBITDA	1,305,681	23,416	-	1,329,097
Depreciation, amortisation and gain on disposal	(884,961)	(32,732)	996	(916,697)
Operating profit/(loss)	420,720	(9,316)	996	412,400
Finance income				28,090
Finance costs				(76,036)
Profit before income tax				364,454

4 Segment information *(continued)*

(b) Segment assets/(liabilities)

	At 31 December 2014 (Unaudited)			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**9,770,078**	**381,716**	**268,721**	**10,420,515**
Segment liabilities	**(6,109,531)**	**(134,291)**	**(579,870)**	**(6,823,692)**

	At 30 June 2014 (Audited)			
	Hong Kong	Macau	Unallocated	Consolidated
	$000	$000	$000	$000
Segment assets	9,396,525	383,370	12,059	9,791,954
Segment liabilities	(5,893,369)	(160,588)	(488,467)	(6,542,424)

There has been no material change in the basis of segmentation and the basis of measurement of segment results from the last annual financial statements except for unallocated assets. Unallocated assets as at 31 December 2014 included tax reserve certificate of $252,362,000.

5 Finance income

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
Interest income from bank deposits	**31,791**	27,774
Accretion income	**574**	316
	32,365	28,090

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 period.

6 Finance costs

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
		(Note 13)
Interest expense		
Bank and other borrowings wholly repayable within 5 years	**4,578**	4,531
Bank and other borrowings not wholly repayable within 5 years	**44,656**	41,939
Bank charges for credit card instalment	**10,528**	5,062
Accretion expenses		
Mobile licence fee liabilities	**35,651**	41,856
Asset retirement obligations	**1,029**	1,111
Net exchange gain on financing activities	**(4,853)**	(18,463)
	91,589	76,036

Accretion expenses represent changes in the mobile licence fee 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 and crediting the following:

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
Charging:		
Cost of services provided	**222,358**	238,945
Operating lease rentals for land and buildings, transmission sites and leased lines	**505,637**	491,934
Impairment loss of trade receivables (note 11)	**5,906**	7,910
Impairment loss of inventories	**-**	14,763
Net exchange loss	**385**	-
Loss on disposal of fixed assets	**2,194**	-
Depreciation of fixed assets, leasehold land and land use rights	**358,677**	336,354
Amortisation of handset subsidies	**390,536**	517,558
Amortisation of mobile licence fees	**94,910**	71,915
Share-based payments	**157**	3,980
Crediting:		
Reversal of impairment loss of inventories	**3,634**	-
Net exchange gain	**-**	15,058
Gain on disposal of fixed assets	**-**	8,936
Gain on disposal of financial investments	**236**	194

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

The amount of income tax expense recognised in the condensed consolidated profit and loss account represents:

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
Current income tax		
Hong Kong profits tax	**96,148**	47,301
Overseas tax	**1,256**	547
Under/(over)-provision in prior years		
Hong Kong profits tax	**-**	(25)
Overseas tax	**151**	-
	97,555	47,823
Deferred income tax	**(1,211)**	8,190
	96,344	56,013

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

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	Unaudited six months ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company ($000)	**466,289**	311,299
Weighted average number of ordinary shares in issue	**1,046,048,469**	1,037,949,205
Basic earnings per share (cents per share)	**44.6**	30.0

9 Earnings per share *(continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Unaudited six months ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company ($000)	**466,289**	311,299
Weighted average number of ordinary shares in issue	**1,046,048,469**	1,037,949,205
Adjustment for dilutive share options	**2,525**	225,322
Weighted average number of ordinary shares for diluted earnings per share	**1,046,050,994**	1,038,174,527
Diluted earnings per share (cents per share)	**44.6**	30.0

10 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
Interim dividend declared of 27 cents (2013: 18 cents) per share	**282,693**	186,726

At a meeting held on 17 February 2015, the directors declared an interim dividend of 27 cents per share for the year ending 30 June 2015. 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 2015.

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

10 **Dividends** *(continued)*

(b) Attributable to prior year paid in the period

	Unaudited six months ended 31 December	
	2014	2013
	$000	$000
Final dividend of 13 cents (2013: 22 cents) per share	**135,979**	228,347

11 **Trade receivables**

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

	Unaudited 31 December 2014	Audited 30 June 2014
	$000	$000
Current to 30 days	**302,640**	410,723
31 - 60 days	**22,716**	12,746
61 - 90 days	**43,044**	3,683
Over 90 days	**3,525**	8,597
	371,925	435,749

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

The Group has recognised a loss of $5,906,000 (2013: $7,910,000) for the impairment of its trade receivables during the six months ended 31 December 2014. The loss has been included in “other operating expenses” in the condensed consolidated profit and loss account.

12 Trade payables

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

	Unaudited 31 December 2014 $000	Audited 30 June 2014 $000
Current to 30 days	**524,627**	691,235
31 - 60 days	**25,722**	45,683
61 - 90 days	**8,877**	14,460
Over 90 days	**15,525**	26,741
	574,751	778,119

13 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications have no impact on the Group's total equity as at both 31 December 2014 and 30 June 2014, or on the Group's profit for the six months ended 31 December 2014 and 2013.

INTERIM DIVIDEND

The Directors declared an interim dividend of 27 cents per share for the six months ended 31 December 2014 (2013: 18 cents). The interim dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). The Directors may, after having made enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in relation to the Scrip Dividend Scheme, exclude any shareholder outside Hong Kong from the Scrip Dividend Scheme provided that the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Such shareholders will receive the interim dividend in cash. A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Tuesday, 17 March 2015.

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The interim dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Monday, 20 April 2015 to shareholders whose names appear on the Register of Members of the Company on Friday, 6 March 2015.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim dividend is Friday, 6 March 2015. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Friday, 6 March 2015 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 Thursday, 5 March 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the six months ended 31 December 2014 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2014. 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 internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2014 have not been audited but have been reviewed by the Company's external auditor.

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

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2014, the Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term. Non-Executive Directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's Bye-laws. As such, no Director has a term of appointment longer than three years.

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Code Provision E.1.2 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. Yang Xiang-dong, Mr. Gan Fock-kin, Eric and Mrs. Ip Yeung See-ming, Christine, Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 4 November 2014 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) attended the said meeting in person to listen to the views expressed by the shareholders. Mr. Cheung Wing-yui, a Non-Executive Director of the Company, 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.

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

Hong Kong, 17 February 2015

As at the date of this announcement, the Executive Directors of the Company are Mr. Douglas LI (Chief Executive Officer) and Mr. CHAN Kai-lung, Patrick; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (Deputy Chairman), Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Mr. David Norman PRINCE, Mr. SIU Hon-wah, Thomas, Mr. TSIM Wing-kit, Alfred and Mr. John Anthony MILLER; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. YANG Xiang-dong, Mr. GAN Fock-kin, Eric and Mrs. IP YEUNG See-ming, Christine.