SmarTone Telecommunications Holdings Limited

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

2015 / 2016 ANNUAL RESULTS ANNOUNCEMENT

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

- Group service revenue at $5,471 million, and service revenue net of handset subsidy amortisation was stable at $4,795 million
- Postpaid mobile ARPU increased 2% to $301
- Operating expenses, depreciation and amortisation reduced by $251 million
- Operating profit excluding the handset business ("Group service EBIT") increased 18% to $1,014 million
- Net profit was $797 million as handset profit returned to historical levels
- Proposed final dividend of $0.33 per share, making a full year dividend of $0.60 per share

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 30 June 2016.

Financial Highlights

Group total revenue declined by 2% to $18,356 million over the previous year. Service revenue decreased 2% on the previous year, driven largely by the continued migration to SIM-only plans and the decline in roaming and prepaid revenue. Nevertheless, service revenue net of handset subsidy amortisation remained stable at $4,795 million. Group service EBIT increased 18% to $1,014 million, reflecting the 4 percentage point improvement in margins in the core service business. As smartphone becomes an increasingly mature product, handset EBIT experienced a reversion to historical levels, declining 77% to $90 million. Net profit was $797 million, down 15% over the previous year.

Dividend

Due to the improvement in the Group's quality of earnings, strong operating cash flow and healthy balance sheet, the Board declares a final dividend of 33 cents per share, making full year dividend at 60 cents per share, representing an effective dividend payout ratio of 80%. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme. In view of the stable service business, strong operating cashflows and declining CAPEX, the Board intends, barring unforeseen circumstances, to keep the absolute full year FY17 dividend per share unchanged.

Business Review

Group service revenue decreased 2% as a result of the customers' continued migration from handset-bundled plans to SIM-only plans as well as the decline in roaming and prepaid revenue. Nevertheless, service revenue net of handset subsidy amortisation remained steady, as the underlying local postpaid business continued to grow.

In the year under review, Hong Kong customer number increased 1% to 1.97 million and average postpaid churn remained unchanged at 0.9%. Mobile postpaid ARPU rose to $301, registering a 2% growth while local mobile postpaid ARPU rose 4%.

Operating costs, depreciation and amortisation declined as the Company continued its drive for efficiency while upholding quality service, resulting in improvements in both EBITDA and EBIT margins for the core mobile service business. Service EBITDA improved 1% to $2,571 million, while service EBIT rose to $1,014 million, an 18% increase over the previous year.

Launched in June, the Company's "We're for Smiles" brand campaign highlights its commitment in understanding and meeting customers' needs to delight them. SmarTone launched Flexi-switch with the brand campaign to ensure our customers find a plan that really suited their needs while free powerbank rental was introduced to save our customers from the inconvenience of running out of battery. At the same time, a number of products and services, such as ST Protect and Virtual WiFi Egg, were unveiled as part of the company strategy to address specific customer needs. As part of SmarTone's drive to deliver outstanding customer care, our customer loyalty program has been refreshed to deliver more value to a wider customer base. Customer response to the above initiatives has been encouraging and the Company will continue to innovate on customer experiences, products and services.

The Company continues to invest in spectrum, technology and know-how to provide an outstanding mobile experience. Following the implementation of tri-band carrier aggregation ("CA") in October 2015, SmarTone will expand to multi-band CA and roll out other key pre-5G technologies such as downlink 256QAM and uplink 64QAM, and implement LTE-Advanced Pro features such as 4x4 MIMO and LAA. SmarTone has engaged with its equipment vendor on a 5-year evolution plan to uplift capacity by multiple times and to bring superior connectivity with a faster and more consistent experience to our customers. Within the next few years, SmarTone's network will evolve into an agile, dynamic and software-driven 5G multi-service network architecture to ensure seamless connectivity for millions of connected devices, machines and people, which will support advanced consumer, business and industrial applications.

Prospects

The Hong Kong telecom market remains competitive. The Company will continue to strengthen its customer proposition in quality customer care and superior network performance in order to monetise the increasing customer data usage. Products and services targeting different segments will be launched to meet specific customer needs. The Company will continue to exercise vigilant cost control to improve productivity while upholding quality service.

5G technology is expected to improve data speed, capacity density and latency performance for mobile services. The new technology will enable SmarTone to capture business opportunities from new types of applications, such as virtual reality and machine-to-machine applications (Internet of Things). To this end, SmarTone will conduct early trials on 5G use cases in 2017/2018.

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

Appreciation

During the period under review, Ms. Anna Yip joined the Company as Executive Director and Chief Executive Officer. I would like to welcome Ms. Yip to SmarTone and am confident she will utilise her experience to bring the Company to new heights. Mr. Chau Kam-Kun, Stephen, has ceased to act as Interim Chief Executive Officer but will remain as Executive Director and Chief Technology Officer of the Company. I would like to thank Mr. Chau for his contributions to the Company during his tenure as Interim Chief Executive Officer. He has shown strong leadership and has made SmarTone a stronger company.

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, 26 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

The Group's revenue decreased by 2% to $18,356 million (2014/15: $18,659 million), comprising a 2% decrease in handset and accessory sales and a 2% decrease in service revenue. EBITDA fell by 9% to $2,661 million (2014/15: $2,932 million) amid decline in handset EBITDA. Service EBITDA rose by $26 million or 1% while handset EBITDA fell by $297 million or 77%. Profit attributable to equity holders of the Company fell by 15% to $797 million (2014/15: $935 million).

Revenues fell by $303 million or 2% to $18,356 million (2014/15: $18,659 million).

- Service revenue fell by $93 million or 2% to $5,471 million (2014/15: $5,564 million), driven by lower roaming service revenue, and lower local mobile service revenue amidst customers' migration from handset bundled plans to SIM-only plans.

  Roaming revenue fell due to cannibalisation of voice and SMS usage by over-the-top applications and continuing global downward trend in inter-operator tariffs, partly offset by increase in data roaming usage. Roaming revenue made up of 14% of Group's service revenue (2014/15: 15%).

  Local mobile service revenue fell by 1% amidst customers' migration from handset-bundled plans to SIM-only plans, partly offset by revenue increase from existing customers upgrading to latest tariffs upon contract expiry.

  Customers' migration to SIM-only plans masked an improvement in underlying service revenue as there was a corresponding reduction in handset subsidy amortisation. Group service revenue net of handset subsidy amortisation remained stable.

  The Group achieved a 1% year-on-year growth in its Hong Kong customer base. Postpaid customers made up of approximately 70% of Hong Kong mobile customer base. Average mobile postpaid churn rate remained at 0.9% (2014/15: 0.9%). Postpaid ARPU improved to $301 or 2%. Local mobile postpaid ARPU rose by 4%.

- Handset and accessory sales fell by $210 million or 2% to $12,885 million (2014/15: $13,095 million). Sales volume declined while average unit selling price increased.

Cost of inventories sold rose by $87 million or 1% to $12,795 million (2014/15: $12,708 million). Handset business profits were lower as margin declined.

Staff costs fell by $19 million or 3% to $722 million (2014/15: $741 million) mainly amid lower bonus provision.

Other operating expenses fell by $100 million or 4% to $2,179 million (2014/15: $2,279 million). Lower cost of services provided, sales and marketing expenses and general administrative expenses were partly offset by higher network operating costs and rentals and utilities.

Depreciation and loss on disposal decreased by $34 million or 5% to $690 million (2014/15: $724 million) amid lower capital expenditure and lower disposal loss for dismantled sites.

Handset subsidy amortisation fell by $98 million or 13% to $676 million (2014/15: $774 million) amid continuing customers' migration from handset bundled plans to SIM-only plans in the past 12 months.

Mobile licence fee amortisation remained stable at $190 million (2014/15: $190 million).

Finance income fell slightly by $1 million to $60 million (2014/15: $62 million) amid lower average balance of bank deposits and lower return on surplus cash.

Finance costs excluding exchange gain / (loss) fell by $28 million to $154 million (2014/15: $182 million) driven by lower accretion expenses on mobile licence fee liabilities, handset instalment charges and bank borrowings.

Exchange loss related to cash, bank deposits and borrowings amounted to $48 million (2014/15: a gain of $7 million) mainly due to conversion of RMB deposits into USD and HKD in August 2015 amid depreciation of RMB.

Income tax expense amounted to $175 million (2014/15: $195 million), reflecting an effective tax rate of 18.2% (2014/15: 17.3%). In light of the uncertainty of the tax deductibility of certain upfront payments for spectrum utilisation fees, these payments have been treated as non-deductible on cash or amortisation basis, Group effective tax rate is therefore higher than 16.5%.

Macau operations reported an operating loss of $33 million (2014/15: operating profit of $1 million) amid lower handset profits, roaming and prepaid revenue.

Capital structure, liquidity and financial resources

During the year under review, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 30 June 2016, the Group recorded share capital of $108 million, total equity of $4,364 million and total borrowings of $2,850 million.

The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) of $3,242 million (30 June 2015: $4,145 million). The reduction was mainly due to the purchase of held-to-maturity debt securities of $860 million.

As at 30 June 2016, the Group had bank and other borrowings of $2,850 million (30 June 2015: $2,969 million) of which 80% were denominated in United States dollars and were arranged on a fixed rate basis. Cash and held-to-maturity debt securities, after deducting bank and other borrowings, amounted to $1,262 million as at 30 June 2016 (30 June 2015: $1,176 million). Net cash to EBITDA was 47% as at 30 June 2016 (30 June 2015: 40%).

The Group had net cash generated from operating activities and interest received of $1,513 million and $64 million respectively during the year ended 30 June 2016. The Group's major outflows of funds during the year were additions of handset subsidies, purchase of fixed assets, held-to-maturity debt securities, 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 2017 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 and invested in held-to-maturity debt securities. Bank deposits and held-to-maturity debt securities are predominantly maintained in Hong Kong dollars and US dollars respectively.

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 30 June 2016, certain bank deposits of the Group, in aggregate amount of $2 million (30 June 2015: $3 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 $82 million as at 30 June 2016 (30 June 2015: $85 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 20% of the Group's total borrowings at 30 June 2016. The remaining 80% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential rising interest rates in the future. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, held-to-maturity debt securities, 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 30 June 2016 under these performance bonds was $305 million (30 June 2015: $444 million).

In prior year, 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 another letter of credit of $980,400,000, being the final amount of spectrum utilisation fees determined during the auction.

Employees and share option scheme

The Group had 2,140 full-time employees as at 30 June 2016 (30 June 2015: 2,121), with the majority of them based in Hong Kong. Total staff costs were $722 million for the year ended 30 June 2016 (2014/15: $741 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 year under review, no new share options were granted; 10,653,500 share options were exercised; and 12,162,500 share options were cancelled or lapsed. 352,500 (30 June 2015: 23,168,500) share options were outstanding as at 30 June 2016.

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 year ended 30 June 2016 and the consolidated balance sheet as at 30 June 2016 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account
For the year ended 30 June 2016

	Note	**2016 $000**	2015 $000
Service revenue		**5,470,880**	5,564,144
Handset and accessory sales		**12,884,731**	13,094,692
Revenues	4	**18,355,611**	18,658,836
Cost of inventories sold		**(12,794,787)**	(12,707,801)
Staff costs		**(721,616)**	(740,518)
Other operating expenses		**(2,178,680)**	(2,278,726)
Depreciation, amortisation and loss on disposal	7	**(1,556,150)**	(1,687,954)
Operating profit		**1,104,378**	1,243,837
Finance income	5	**60,253**	61,621
Finance costs	6	**(202,239)**	(174,921)
Profit before income tax	7	**962,392**	1,130,537
Income tax expense	8	**(174,982)**	(195,318)
Profit after income tax		**787,410**	935,219
Attributable to			
Equity holders of the Company		**797,150**	935,379
Non-controlling interests		**(9,740)**	(160)
		787,410	935,219
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	9		
Basic		**74.9**	89.2
Diluted		**74.8**	89.1

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	2016 $000	2015 $000
Profit for the year	**787,410**	935,219
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain on financial investments, net of tax	**1,067**	5,195
Currency translation differences	**(4,867)**	409
Other comprehensive (loss)/income for the year, net of tax	**(3,800)**	5,604
Total comprehensive income for the year	**783,610**	940,823
Total comprehensive income attributable to		
Equity holders of the Company	**793,350**	940,983
Non-controlling interests	**(9,740)**	(160)
	783,610	940,823

Consolidated Balance Sheet
At 30 June 2016

	Note	**2016** **$000**	2015 $000
Non-current assets			
Leasehold land and land use rights		**12,264**	14,038
Fixed assets		**3,235,992**	3,340,063
Interest in an associate		**3**	3
Financial Investments		**747,924**	-
Intangible assets		**1,757,113**	2,318,714
Deposits and prepayments		**117,296**	98,766
Deferred income tax assets		**6,497**	6,803
		5,877,089	5,778,387
Current assets			
Inventories		**340,770**	82,252
Financial investments		**133,180**	9,910
Trade receivables	11	**274,456**	332,495
Deposits and prepayments		**192,387**	169,049
Other receivables		**90,809**	44,801
Tax reserve certificate		**252,362**	252,362
Pledged bank deposits		**2,385**	2,579
Short-term bank deposits		**341,053**	1,838,734
Cash and cash equivalents		**2,898,512**	2,303,783
		4,525,914	5,035,965
Current liabilities			
Trade payables	12	**577,913**	754,944
Other payables and accruals		**853,473**	863,191
Current income tax liabilities		**545,292**	543,525
Bank borrowings		**126,228**	124,351
Customer prepayments and deposits		**325,633**	556,482
Deferred income		**228,047**	253,222
Mobile licence fee liabilities		**206,325**	196,533
		2,862,911	3,292,248
Non-current liabilities			
Customer prepayments and deposits		**73,871**	216,902
Asset retirement obligations		**47,839**	52,904
Bank and other borrowings		**2,724,195**	2,844,421
Mobile licence fee liabilities		**203,506**	365,922
Deferred income tax liabilities		**126,846**	134,002
		3,176,257	3,614,151
Net assets		**4,363,835**	3,907,953

Consolidated Balance Sheet
At 30 June 2016

	2016 **$000**	2015 $000
Capital and reserves		
Share capital	**108,118**	105,668
Reserves	**4,208,649**	3,745,477
Total equity attributable to equity holders of the Company	**4,316,767**	3,851,145
Non-controlling interests	**47,068**	56,808
Total equity	**4,363,835**	3,907,953

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.

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 26 August 2016.

2 Summary of significant accounting policies

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

3 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by certain available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

There are no new and amended standards that are effective for the first time for this financial year that could be expected to have a material impact on the Group.

(ii) New Hong Kong Companies Ordinance (Cap.622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3 Basis of preparation *(continued)*

(a) Changes in accounting policy and disclosures *(continued)*

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

The following new standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2016 or later periods but which the Group has not early adopted.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.

The Group is in the process of assessing the impact of these new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operation and financial position.

4 Segment reporting

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

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

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

(a) Segment results

	For the year ended 30 June 2016			
	Hong Kong $000	**Macau $000**	**Elimination $000**	**Consolidated $000**
Revenues	**18,165,278**	**725,222**	**(534,889)**	**18,355,611**
EBITDA	**2,635,371**	**25,157**	**-**	**2,660,528**
Depreciation, amortisation and loss on disposal	**(1,498,146)**	**(58,137)**	**133**	**(1,556,150)**
Operating profit/(loss)	**1,137,225**	**(32,980)**	**133**	**1,104,378**
Finance income				**60,253**
Finance costs				**(202,239)**
Profit before income tax				**962,392**
Other information				
Additions to fixed assets	**543,753**	**51,705**	**-**	**595,458**
Additions to intangible assets	**294,768**	**14,185**	**-**	**308,953**
Depreciation	**635,737**	**44,180**	**(27)**	**679,890**
Amortisation of leasehold land and land use rights	**670**	**-**	**-**	**670**
Amortisation of intangible assets	**852,635**	**13,242**	**-**	**865,877**
Loss/(gain) on disposal of fixed assets	**9,104**	**715**	**(106)**	**9,713**
Impairment loss of trade receivables	**13,966**	**56**	**-**	**14,022**
Impairment loss/(reversal of impairment loss) of inventories	**603**	**(322)**	**-**	**281**

4 Segment reporting *(continued)*

(a) Segment results *(continued)*

	For the year ended 30 June 2015			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
Revenues	18,438,493	858,149	(637,806)	18,658,836
EBITDA	2,871,944	59,847	-	2,931,791
Depreciation, amortisation and loss on disposal	(1,629,321)	(58,987)	354	(1,687,954)
Operating profit	1,242,623	860	354	1,243,837
Finance income				61,621
Finance costs				(174,921)
Profit before income tax				1,130,537
Other information				
Additions to fixed assets	639,211	40,873	-	680,084
Additions to intangible assets	909,383	14,471	-	923,854
Depreciation	661,855	43,852	(55)	705,652
Amortisation of leasehold land and land use rights	709	-	-	709
Amortisation of intangible assets	950,217	13,544	-	963,761
Loss on disposal of fixed assets	16,776	1,591	(299)	18,068
Gain on disposal of financial investments	(236)	-	-	(236)
Impairment loss of trade receivables	13,431	89	-	13,520
Reversal of impairment loss of inventories	(6,069)	(510)	-	(6,579)

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

4 **Segment reporting** *(continued)*

(b) Segment assets/(liabilities)

	At 30 June 2016			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**8,898,894**	**364,143**	**1,139,966**	**10,403,003**
Segment liabilities	**(5,201,513)**	**(165,517)**	**(672,138)**	**(6,039,168)**

	At 30 June 2015			
	Hong Kong	Macau	Unallocated	Consolidated
	$000	$000	$000	$000
Segment assets	10,184,261	361,013	269,078	10,814,352
Segment liabilities	(6,079,931)	(148,941)	(677,527)	(6,906,399)

The total of non-current assets other than interest in an associate, financial investments and deferred income tax assets located in Hong Kong is $4,854,468,000 (2015: $5,517,589,000), and the total of these non-current assets located in Macau is $268,197,000 (2015: $253,992,000).

Unallocated assets consist of tax reserve certificate, interest in an associate, financial investments and deferred income tax assets.

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

5 **Finance income**

	2016	2015
	$000	$000
Interest income from listed debt securities	**31,179**	-
Interest income from bank deposits	**28,558**	60,473
Accretion income	**516**	1,148
	60,253	61,621

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.

6 Finance costs

	2016 $000	2015 $000
Interest expense		
Bank and other borrowings	**97,723**	100,191
Bank charges for credit card instalment	**3,804**	13,192
Accretion expenses		
Mobile licence fee liabilities	**50,846**	66,866
Asset retirement obligations	**1,647**	1,777
Net exchange loss/(gain) on financing activities	**48,219**	(7,105)
	202,239	174,921

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 year.

7 Profit before income tax

Profit before income tax is stated after charging and crediting the following:

	2016 $000	2015 $000
Charging:		
Cost of services provided	**351,315**	421,395
Operating lease rentals for land and buildings, transmission sites and leased lines	**1,016,248**	1,017,197
Impairment loss of trade receivables (note 11)	**14,022**	13,520
Impairment loss of inventories	**281**	-
Auditor's remuneration		
- Audit services	**2,490**	2,549
- Non-audit services	**1,106**	1,062
Net exchange loss	**60,363**	-
Loss on disposal of fixed assets	**9,713**	18,068
Depreciation of fixed assets, leasehold land and land use rights	**680,560**	706,361
Amortisation of handset subsidies	**676,058**	773,942
Amortisation of mobile licence fees	**189,819**	189,819
Crediting:		
Gain on disposal of financial investments	**-**	236
Net exchange gain	**-**	278
Reversal of impairment loss of inventories	**-**	6,579

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the tax rates prevailing in the countries in which the Group operates.

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

	2016	2015
	$000	$000
Current income tax		
Hong Kong profits tax	**181,828**	203,774
Overseas tax	**1,363**	2,388
(Over)/under-provision in prior years		
Hong Kong profits tax	**(1,361)**	(133)
Overseas tax	**2**	151
	181,832	206,180
Deferred income tax assets	**306**	538
Deferred income tax liabilities	**(7,156)**	(11,400)
Income tax expense	**174,982**	195,318

(b) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate of the home country of the Group as follows:

	2016	2015
	$000	$000
Profit before income tax	**962,392**	1,130,537
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2015: 16.5%)	**158,795**	186,539
Effect of different tax rates in other countries	**2,402**	1,275
Expenses not deductible for tax purposes	**448**	131
Income not subject to tax	**(6,617)**	(10,997)
(Over)/under-provision in prior years	**(1,359)**	18
Tax loss not recognised	**5,338**	1,550
Utilisation of previously unrecognised tax losses	**(914)**	-
Temporary differences not recognised	**16,889**	16,802
Income tax expense	**174,982**	195,318

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.

	2016	2015
Profit attributable to equity holders of the Company ($000)	**797,150**	935,379
Weighted average number of ordinary shares in issue	**1,064,519,219**	1,049,218,107
Basic earnings per share (cents per share)	**74.9**	89.2

(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. For dilutive share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2016	2015
Profit attributable to equity holders of the Company ($000)	**797,150**	935,379
Weighted average number of ordinary shares in issue	**1,064,519,219**	1,049,218,107
Adjustment for dilutive share options	**597,725**	509,833
Weighted average number of ordinary shares for diluted earnings per share	**1,065,116,944**	1,049,727,940
Diluted earnings per share (cents per share)	**74.8**	89.1

10 Dividends

	2016 **$000**	2015 $000
Interim dividend, paid, of 27 cents (2015: 27 cents) per share	**286,722**	284,456
Final dividend, proposed, of 33 cents (2015: 33 cents) per share	**356,789**	349,449
	643,511	633,905

For the dividends attributable to the years ended 30 June 2016 and 2015, scrip dividend elections were offered to shareholders.

At a meeting held on 26 August 2016, the directors proposed a final dividend of 33 cents per 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 2017.

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

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:

	2016 **$000**	2015 $000
Current to 30 days	**244,690**	296,580
31 - 60 days	**19,385**	17,603
61 - 90 days	**4,362**	5,420
Over 90 days	**6,019**	12,892
	274,456	332,495

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 $14,022,000 (2015: $13,520,000) for the impairment of its trade receivables during the year ended 30 June 2016. The loss has been included in "other operating expenses" in the consolidated profit and loss account. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

12 Trade payables

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

	2016	2015
	$000	$000
Current to 30 days	**514,218**	715,044
31 - 60 days	**32,851**	16,187
61 - 90 days	**7,262**	1,595
Over 90 days	**23,582**	22,118
	577,913	754,944

DIVIDENDS

The Directors recommended the payment of a final dividend for the year ended 30 June 2016 of 33 cents per share (2014/15: 33 cents). The proposed final dividend, together with the interim dividend of 27 cents per share paid by the Company during the year (2014/15: 27 cents), makes a total dividend for the year of 60 cents per share.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final 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 proposed final 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 Thursday, 17 November 2016.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the proposed final dividend at the forthcoming Annual General Meeting and 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 proposed final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Friday, 16 December 2016 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 9 November 2016.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 1 November 2016. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Friday, 28 October 2016 to Tuesday, 1 November 2016, 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 Thursday, 27 October 2016.

The record date for entitlement to the proposed final dividend is Wednesday, 9 November 2016. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 9 November 2016 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, 8 November 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the year ended 30 June 2016 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 as well as the internal audit reports of the Group for the year ended 30 June 2016. 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 with the internal control measures adopted by the Group.

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 2016, 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, Mr. David Norman Prince, Non-Executive Director, and Mr. Yang Xiang-dong and Mr. Gan Fock-kin, Eric, both Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 4 November 2015 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. 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.

Full details of the report on corporate governance will be set out in the Company's 2015/16 Annual Report.

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

Hong Kong, 26 August 2016

As at the date of this announcement, the Executive Directors of the Company are Ms. Anna Yip (Chief Executive Officer), Mr. CHAN Kai-lung, Patrick and Mr. Chau Kam-kun, Stephen; 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.