SmarTone Telecommunications Holdings Limited

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

2015 / 2016 INTERIM RESULTS ANNOUNCEMENT

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

- Group total revenue was $10,228 million, 18% higher year-on-year
- Service EBIT increased to $540 million, 45% higher year-on-year, reflecting a solid improvement in the core service business
- Handset and accessories EBIT was $47 million, 81% lower year-on-year
- Net profit at $403 million, 14% lower year-on-year
- Interim dividend of $0.27 per share, same as interim dividend in FY15
- It is the Board's intention, barring unforeseen circumstances, to keep the absolute full year FY16 dividend per share unchanged from the full year FY15 dividend

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the six months ended 31 December 2015.

Financial Highlights

In the period under review, total revenue increased to $10,228 million, an 18% growth over the same period last year and a 2% increase over the previous half. Handset and accessory sales were 26% higher over the same period last year, and service revenue increased 1%. Operating profit excluding the handset business increased to $540 million, 45% higher than the same period last year and 11% higher over the previous half, reflecting a solid improvement in the profitability of the service business. Handset and accessories EBIT decreased to $47 million, 81% lower compared to the same period last year and 65% lower than the previous half, due to lower handset margin. Group operating profit was $587 million, down 6% from both the same period last year and the previous half. Net profit decreased 14% from the same period last year to $403 million.

Dividend

The Board declares an interim dividend of 27 cents per share, same as the interim dividend for FY15. The dividend policy remains unchanged at 75% dividend payout ratio on a full-year basis. As the quality of earnings improved, it is the Board's intention, barring unforeseen circumstances, to keep the absolute full year FY16 dividend per share unchanged from the full year FY15 dividend. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

During the period under review, group service revenue was steady, recording a 1% increase over the same period last year and a modest 1% decline from the previous six months. Local mobile service revenue increased over the same period last year, which was partly offset by lower roaming revenue. Migration of customers from handset-bundled plans to SIM-only plans continued, with its impact on service revenue largely offset by a corresponding reduction in handset subsidy amortisation. Group service revenue, net of handset subsidy amortisation, increased 3% over the same period last year and remained steady over the previous six months.

Customer number stands at 1.97 million, a 1% increase over the previous six months while the average mobile postpaid churn rate improved year-on-year to 0.9%. Notwithstanding the continuing migration of customers from handset-bundled plans to SIM-only plans, postpaid ARPU continued to increase to $301, reflecting a 3% growth over the same period last year. Excluding 3G speed-capped plan customers, postpaid ARPU increased 6% compared to the same period last year.

The Company continued to exercise cost discipline without compromising quality, leading to reduction in operating costs, depreciation and amortisation. Both EBITDA and EBIT margin for the service business achieved steady improvements. Service EBITDA rose to $1,331 million, 9% higher than the same period last year and flat over the previous six months. Service EBIT grew to $540 million, increasing 45% over the same period last year and 11% over the previous six months.

The Company made substantial investments into enhancing network quality to deliver the capacity and speed for outstanding customer experience. Building on the success of the LTE900 and LTE1800 dual-band carrier aggregation ("CA"), SmarTone has successfully implemented tri-band CA on the 900MHz, 1,800MHz and 2,600MHz spectrum. The Company will continue to employ state-of-the-art LTE-A technologies, including quad-band CA, 4x4 MIMO and advanced 256QAM data coding. SmarTone has also commenced the deployment of small cells in selected high traffic locations. These initiatives will further increase both the capacity and speed of the Company's high-performing network.

SmarTone is passionate about listening to its customers, which provides insight into how the Company strives for continuous improvement. The Company has invested in systems, processes and training to further enhance the quality of customer service. Through customer satisfaction surveys at various touchpoints, customer feedback was analysed and turned into customer care improvement initiatives. In the period under review, customer satisfaction surveys at call centres and stores consistently scored at above 97% satisfaction levels.

Prospects

Despite increasing economic uncertainties, continuous increase in customer data usage offers opportunities for sustainable growth. SmarTone continues to invest in its network to provide customers with an outstanding user experience. In particular, the Company will extend its deployment of small cells in anticipation of customers' increasing demand for data services. Coupled with other state-of-the-art LTE-A technologies, small cells deployment is an essential element of the Company's high-capacity network, placing SmarTone in prime position to grow in an increasingly mobile-connected society.

Delighting customers has always been central to SmarTone's philosophy. The Company is working on a range of initiatives to redefine customer care and bring it to a new level.

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

Appreciation

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 2 February 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the period under review, Group's revenue increased by 18% to $10,228 million (first half of 2014/15: $8,673 million), comprising a 26% increase in handset and accessory sales and a 1% increase in service revenue. Group EBITDA fell by 6% to $1,377 million (first half of 2014/15: $1,469 million). Operating profit excluding the handset business ("Service EBIT") rose by 45% to $540 million (first half of 2014/15: $371 million) while handset EBIT fell by 81% to $47 million (first half of 2014/15: $252 million). As a result, Group operating profit fell by 6% to $587 million (first half of 2014/15: $623 million) and profit attributable to equity holders of the Company fell by 14% to $403 million (first half of 2014/15: $466 million).

Compared with the second half of 2014/15, Group's revenue increased by 2% to $10,228 million (second half of 2014/15: $9,986 million), comprising a 4% increase in handset and accessory sales, partly offset by a 1% decrease in service revenue. Group EBITDA fell by 6% to $1,377 million (second half of 2014/15: $1,463 million). Service EBIT rose by 11% to $540 million (second half of 2014/15: $486 million) while handset EBIT fell by 65% to $47 million (second half of 2014/15: $135 million). As a result, Group operating profit fell by 6% to $587 million (second half of 2014/15: $621 million) and profit attributable to equity holders of the Company fell by 14% to $403 million (second half of 2014/15: $469 million).

Revenues rose by $1,556 million or 18% to $10,228 million when compared with $8,673 million for the first half of 2014/15, and rose by $242 million or 2% when compared with $9,986 million for the second half of 2014/15.

- Service revenue rose by $32 million or 1% to $2,778 million (first half of 2014/15: $2,745 million) amid higher local mobile service revenue, partly offset by lower roaming revenue.

  Local service revenue increased by 2% amidst improvement in market environment, partly offset by continuing customers' migration from handset-bundled plans to SIM-only plans and decline in revenue from prepaid products.

  Customers' migration to SIM-only plans masked a stronger improvement in underlying service revenue as there was a corresponding reduction in handset subsidy amortisation. Group service revenue net of handset subsidy amortisation rose by 3% when compared with the same period last year.

  Roaming revenue fell 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. Roaming revenue made up of 15% of Group's service revenue (first half of 2014/15: 16%).

Compared with the second half of 2014/15, service revenue fell by $41 million or 1% to $2,778 million (second half of 2014/15: $2,819 million) mainly amid customers' migration from handset-bundled plans to SIM-only plans and lower revenue from prepaid products. Group service revenue net of handset subsidy amortisation remained stable as compared with the second half of 2014/15.

The Group achieved a 1% year-on-year growth in its Hong Kong customer base. Average mobile postpaid churn rate improved to 0.9% (first half of 2014/15: 1.0%). Postpaid ARPU improved to $301.

- Handset and accessory sales rose by $1,523 million or 26% to $7,451 million when compared with $5,927 million for the first half of 2014/15 and rose by $283 million or 4% when compared with $7,167 million for the second half of 2014/15. Increase was mainly due to increase in sales volume.

Cost of inventories sold rose by $1,728 million or 30% to $7,404 million when compared with $5,675 million for the first half of 2014/15 and rose by $371 million or 5% as compared with $7,032 million for the second half of 2014/15. Handset business profits were lower as margin declined.

Staff costs fell by $5 million or 1% to $351 million (first half of 2014/15: $356 million) mainly amid lower bonus provision, partly offset by annual salary adjustment. Compared with the second half of 2014/15, staff costs fell by $34 million or 9% (second half of 2014/15: $385 million) mainly amid decrease in headcounts as well as lower bonus provision.

Other operating expenses fell by $76 million or 7% to $1,096 million (first half of 2014/15: $1,172 million). Lower cost of services provided, network operating costs, sales and marketing expenses and general and administrative expenses were partly offset by higher rental and utilities. Compared with the second half of 2014/15, other operating expenses fell by $10 million or 1% to $1,096 million (second half of 2014/15: $1,106 million). Lower cost of services provided and network costs were partly offset by higher sales and marketing expenses, rental and utilities and general administrative expenses.

Depreciation and loss on disposal decreased by $17 million or 5% to $343 million when compared with $361 million for the first half of 2014/15 due to lower capital expenditure incurred during the period under review. Compared with the second half of 2014/15, depreciation and loss on disposal fell by $20 million or 6% (second half of 2014/15: $364 million) mainly amid lower disposal loss for dismantled sites and lower capital expenditure.

Handset subsidy amortisation fell by $38 million or 10% to $353 million when compared with $391 million for the first half of 2014/15 and fell by $31 million or 8% when compared with $383 million for the second half of 2014/15. Such decline was due to continuing customers' migration from handset-bundled plans to SIM-only plans in the past 12 months.

Mobile licence fee amortisation remained stable at $95 million (first half of 2014/15: $95 million; second half of 2014/15: $95 million).

Finance income fell slightly by $5 million to $27 million when compared with $32 million for the first half of 2014/15 and $2 million when compared with $29 million for the second half of 2014/15 amid lower return on surplus cash, partly offset by higher average balance of bank deposits and held-to-maturity debt securities.

Finance costs excluding exchange loss fell by $15 million to $81 million (first half of 2014/15: $96 million) amid lower handset instalment charges and accretion expenses on mobile license fee liabilities.

Compared with the second half of 2014/15, finance costs excluding exchange loss decreased by $4 million (second half of 2014/15: $86 million) driven by lower bank borrowings and accretion expenses on mobile license fee liabilities.

Exchange loss related to cash, bank deposits and borrowings amounted to $47 million (first half of 2014/15: gain of $5 million) mainly from conversion of RMB deposits into USD and HKD amid depreciation of RMB. Exchange gain related to cash, bank deposits and borrowings for the second half of 2014/15 amounted to $2 million. The Group had minimal exposure to RMB since September 2015, other than for operating needs.

Income tax expense amounted to $87 million (first half of 2014/15: $96 million), reflecting an effective tax rate of 17.9% (first half of 2014/15: 17.1%). Excluding the impact of non-taxable items, effective tax rate would have been 18.7% (first half of 2014/15: 18.3%).

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 2015, the Group recorded share capital of $106 million, total equity of $4,025 million and total borrowings of $2,908 million.

The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) of $3,128 million as at 31 December 2015 (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 31 December 2015, the Group had bank and other borrowings of $2,908 million (30 June 2015: $2,969 million) of which 81% 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 $1,086 million as at 31 December 2015 (30 June 2015: $1,176 million).

The Group had net cash generated from operating activities and interest received of $902 million and $32 million respectively during the period ended 31 December 2015. The Group's major outflows of funds during the period were payments for 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 2016 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 31 December 2015, certain bank deposits of the Group, in aggregate amount of $6 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 $84 million as at 31 December 2015 (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 19% of the Group's total borrowings at 31 December 2015. The remaining 81% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential rising interest rates. 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, held-to-maturity debt securities, 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 2015 under these performance bonds was $303 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 a standby 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 2,128 full-time employees as at 31 December 2015 (30 June 2015: 2,121), with the majority of them based in Hong Kong. Total staff costs were $351 million for the period ended 31 December 2015 (first half of 2014/15: $356 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; 4,657,500 share options were exercised; and 7,374,000 share options were cancelled or lapsed. 11,137,000 (30 June 2015: 23,168,500) share options were outstanding as at 31 December 2015.

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 2015 and the consolidated balance sheet as at 31 December 2015 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 2015

	Note	Unaudited six months ended 31 December **2015** **$000**	2014 $000
Service revenue		**2,777,571**	2,745,469
Handset and accessory sales		**7,450,719**	5,927,270
Revenues	4	**10,228,290**	8,672,739
Cost of inventories sold		**(7,403,820)**	(5,675,402)
Staff costs		**(350,964)**	(355,975)
Other operating expenses		**(1,096,026)**	(1,172,477)
Depreciation, amortisation and loss on disposal	7	**(790,946)**	(846,081)
Operating profit		**586,534**	622,804
Finance income	5	**27,209**	32,365
Finance costs	6	**(127,693)**	(91,589)
Profit before income tax	7	**486,050**	563,580
Income tax expense	8	**(86,856)**	(96,344)
Profit after income tax		**399,194**	467,236
Attributable to			
Equity holders of the Company		**402,727**	466,289
Non-controlling interests		**(3,533)**	947
		399,194	467,236
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**38.0**	44.6
Diluted		**38.0**	44.6

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2015

	Unaudited six months ended 31 December	
	2015	2014
	$000	$000
Profit for the period	**399,194**	467,236
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain on financial investments, net of tax	**5,117**	4,777
Currency translation differences	**(3,758)**	433
Other comprehensive income for the period, net of tax	**1,359**	5,210
Total comprehensive income for the period	**400,553**	472,446
Total comprehensive income attributable to		
Equity holders of the Company	**404,086**	471,499
Non-controlling interests	**(3,533)**	947
	400,553	472,446

Condensed Consolidated Balance Sheet
As at 31 December 2015 and 30 June 2015

	Note	**Unaudited 31 December 2015 $000**	Audited 30 June 2015 $000
Non-current assets			
Leasehold land and land use rights		**12,898**	14,038
Fixed assets		**3,162,336**	3,340,063
Interest in an associate		**3**	3
Financial investments		**867,099**	-
Intangible assets		**2,099,804**	2,318,714
Deposits and prepayments		**100,265**	98,766
Deferred income tax assets		**6,614**	6,803
		6,249,019	5,778,387
Current assets			
Inventories		**673,765**	82,252
Financial investments		**15,027**	9,910
Trade receivables	11	**306,857**	332,495
Deposits and prepayments		**163,498**	169,049
Other receivables		**50,274**	44,801
Tax reserve certificate		**252,362**	252,362
Pledged bank deposits		**6,269**	2,579
Short-term bank deposits		**527,059**	1,838,734
Cash and cash equivalents		**2,594,362**	2,303,783
		4,589,473	5,035,965
Current liabilities			
Trade payables	12	**1,084,228**	754,944
Other payables and accruals		**727,622**	863,191
Current income tax liabilities		**448,401**	543,525
Bank borrowings		**124,971**	124,351
Customer prepayments and deposits		**687,880**	556,482
Deferred income		**245,025**	253,222
Mobile licence fee liabilities		**173,390**	196,533
		3,491,517	3,292,248
Net current assets		**1,097,956**	1,743,717
Total assets less current liabilities		**7,346,975**	7,522,104
Non-current liabilities			
Customer prepayments and deposits		**139,872**	216,902
Asset retirement obligations		**50,364**	52,904
Bank and other borrowings		**2,783,470**	2,844,421
Mobile licence fee liabilities		**213,688**	365,922
Deferred income tax liabilities		**134,453**	134,002
		3,321,847	3,614,151
Net assets		**4,025,128**	3,907,953

Condensed Consolidated Balance Sheet
As at 31 December 2015 and 30 June 2015

	Unaudited 31 December 2015 $000	Audited 30 June 2015 $000
Capital and reserves		
Share capital	**106,193**	105,668
Reserves	**3,865,660**	3,745,477
Total equity attributable to equity holders of the Company	**3,971,853**	3,851,145
Non-controlling interests	**53,275**	56,808
Total equity	**4,025,128**	3,907,953

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 2 February 2016.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2015 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3 Accounting policies *(continued)*

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 July 2015 and have not been 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 (Amendments)	Investments in Associates and Joint Ventures – 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 Operation[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] 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 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 2015			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**10,162,284**	**392,734**	**(326,728)**	**10,228,290**
EBITDA	**1,360,580**	**16,900**	**-**	**1,377,480**
Depreciation, amortisation and loss on disposal	**(762,383)**	**(28,616)**	**53**	**(790,946)**
Operating profit/(loss)	**598,197**	**(11,716)**	**53**	**586,534**
Finance income				**27,209**
Finance costs				**(127,693)**
Profit before income tax				**486,050**

	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

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

(b) Segment assets/(liabilities)

	At 31 December 2015 (Unaudited)			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**9,241,061**	**456,326**	**1,141,105**	**10,838,492**
Segment liabilities	**(6,050,316)**	**(180,194)**	**(582,854)**	**(6,813,364)**

	At 30 June 2015 (Audited)			
	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)

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment results.

5 **Finance income**

	Unaudited six months ended 31 December	
	2015	2014
	$000	$000
Interest income from listed debt securities	**8,542**	-
Interest income from bank deposits	**18,409**	31,791
Accretion income	**258**	574
	27,209	32,365

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	
	2015	2014
	$000	$000
Interest expense		
Bank and other borrowings wholly repayable within 5 years	**4,583**	4,578
Bank and other borrowings not wholly repayable within 5 years	**44,433**	44,656
Bank charges for credit card instalment	**3,144**	10,528
Accretion expenses		
Mobile licence fee liabilities	**28,093**	35,651
Asset retirement obligations	**863**	1,029
Net exchange loss/(gain) on financing activities	**46,577**	(4,853)
	127,693	91,589

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	
	2015	2014
	$000	$000
Charging:		
Cost of services provided	**183,803**	222,358
Operating lease rentals for land and buildings, transmission sites and leased lines	**505,294**	505,637
Impairment loss of trade receivables (note 11)	**6,530**	5,906
Net exchange loss	**53,086**	385
Loss on disposal of fixed assets	**4,437**	2,194
Depreciation of fixed assets, leasehold land and land use rights	**338,771**	358,677
Amortisation of handset subsidies	**352,829**	390,536
Amortisation of mobile licence fees	**94,909**	94,910
Share-based payments	**-**	157
Crediting:		
Reversal of impairment loss of inventories	**1,182**	3,634
Gain on disposal of financial investments	**-**	236

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	$000	$000
Current income tax		
Hong Kong profits tax	**86,846**	96,148
Overseas tax	**731**	1,256
(Over)/under-provision in prior years		
Hong Kong profits tax	**(1,361)**	-
Overseas tax	**-**	151
	86,216	97,555
Deferred income tax	**640**	(1,211)
	86,856	96,344

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	
	2015	2014
Profit attributable to equity holders of the Company ($000)	**402,727**	466,289
Weighted average number of ordinary shares in issue	**1,059,979,044**	1,046,048,469
Basic earnings per share (cents per share)	**38.0**	44.6

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	
	2015	2014
Profit attributable to equity holders of the Company ($000)	**402,727**	466,289
Weighted average number of ordinary shares in issue	**1,059,979,044**	1,046,048,469
Adjustment for dilutive share options	**1,218,996**	2,525
Weighted average number of ordinary shares for diluted earnings per share	**1,061,198,040**	1,046,050,994
Diluted earnings per share (cents per share)	**38.0**	44.6

10 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2015	2014
	$000	$000
Interim dividend declared of 27 cents (2014: 27 cents) per share	**286,722**	282,693

At a meeting held on 2 February 2016, the directors declared an interim dividend of 27 cents per share for the year ending 30 June 2016. 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 2016.

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	
	2015	2014
	$000	$000
Final dividend of 33 cents (2014: 13 cents) per share	**350,241**	135,979

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 2015	Audited 30 June 2015
	$000	$000
Current to 30 days	**266,408**	296,580
31 - 60 days	**22,385**	17,603
61 - 90 days	**6,902**	5,420
Over 90 days	**11,162**	12,892
	306,857	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 $6,530,000 (2014: $5,906,000) for the impairment of its trade receivables during the six months ended 31 December 2015. 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 2015 $000	Audited 30 June 2015 $000
Current to 30 days	**984,343**	715,044
31 - 60 days	**41,900**	16,187
61 - 90 days	**28,878**	1,595
Over 90 days	**29,107**	22,118
	1,084,228	754,944

INTERIM DIVIDEND

The Directors declared an interim dividend of 27 cents per share for the six months ended 31 December 2015 (2014: 27 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 Wednesday, 2 March 2016.

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 Tuesday, 5 April 2016 to shareholders whose names appear on the Register of Members of the Company on Monday, 22 February 2016.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim dividend is Monday, 22 February 2016. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Monday, 22 February 2016 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 Friday, 19 February 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the six months ended 31 December 2015 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 2015. 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 2015 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 2015, 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) 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, 2 February 2016

As at the date of this announcement, the Executive Directors of the Company are Mr. CHAU Kam-kun, Stephen (Interim Chief Executive Director), 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.