SmarTone Telecommunications Holdings Limited

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

2016 / 2017 INTERIM RESULTS ANNOUNCEMENT

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

- SmarTone's core postpaid service business remained stable despite the challenging market conditions
- Group service revenue at $2,674 million, and service revenue net of handset subsidy amortisation was steady at $2,408 million
- Operating profit excluding the handset business ("Group service EBIT") was $484 million. Net profit was $393 million, representing a year-on-year decline of 2% and unchanged half-on-half
- Interim dividend of $0.27 per share, same as interim dividend in FY16
- It is the Board's intention, barring unforeseen circumstances, to keep the absolute full-year FY17 dividend per share unchanged from the full-year FY16 dividend

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the six months ended 31 December 2016.

Financial Highlights and Review

Group service revenue was $2,674 million, a decline of 4% over the same period last year and a slight decline of 1% over the previous half. The decline in service revenue was due to customers continuing to migrate to SIM Only plans, weakness in the prepaid segment and the increasing use of OTT services affecting voice roaming revenues. Net profit was $393 million, down 2% over the previous year and unchanged compared to the previous six months.

Customer migration from handset-bundled plans to SIM Only plans had a limited impact on profitability because the decrease in service revenue was largely offset by the reduction in handset subsidy amortisation. Postpaid service revenue net of handset subsidy amortisation recorded a 2% increase over the same period last year and a 2% growth over the previous half.

Handset and accessory sales decreased by 64% year-on-year from $7,451 million to $2,699 million, weighing on total revenue which declined by 47% year-on-year and 34% half-on-half. While revenue has decreased substantially, the impact on profitability was limited as margin improved. Handset EBIT was $44 million, up 3% from the previous six-month period.

Hong Kong customer numbers increased to 2 million and mobile postpaid ARPU was stable at $299. Average postpaid churn rate for the period was 1.2%.

The Company continued its drive for efficiency, with operating costs increasing by only 1% over the same period last year, despite a substantial increase in customers' data usage.

During the six months, the Company accelerated on strengthening new services and offerings. Early results have been promising as shown in the take up rate of our roaming packages and Family Plans. SmarTone has also seen healthy growth at its Enterprise Solutions business, which offers tailored services to corporations beyond connectivity. Leveraging channels such as online stores, websites and mobile apps, the Company has been using digital platforms to drive sales and strengthen customer engagement.

The Company has reinforced its brand proposition, and underpinned it with excellent customer service and technology leadership. It has introduced innovative service ideas such as free Powerbank Rental and the market-first Flexi-switch contract feature, which gives customers greater flexibility to change their plans. These initiatives have been warmly received by customers.

In terms of technology, SmarTone is proud to have conducted Hong Kong's first demonstration of 5G. The Company has also joined forces with Ericsson to create an Innovation Hub that will focus on 5G development, foster cross industry collaboration and application in Internet of Things (IoT) and Cloud.

Dividend

With a strong operating cash flow and a healthy balance sheet, the Board is pleased to announce an interim dividend of 27 cents per share. It is the Board's intention, barring unforeseen circumstances, to keep the absolute full-year FY17 dividend per share unchanged from the full-year FY16 dividend. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Outlook

The macroeconomic environment is increasingly challenging and the mobile industry in Hong Kong remains intensely competitive. With rising spectrum costs, weaker handset business, and lower roaming revenue due to ongoing migration to OTT services, the Company expects pressure on profitability in the second half of FY17.

A lack of clarity about spectrum supply from the Government is causing uncertainty in the industry. As such, the Company urges the Government to accelerate the supply of more spectrum to the market and provide a clear spectrum supply roadmap. This is crucial for long-term planning by industry players and in ensuring Hong Kong does not fall behind other regional telecommunications markets on the path to 5G.

SmarTone will push forward with its focus on its core mobile business. This will mean targeting different market segments with tailored services and offerings, while actively exploring new income streams. The Company will continue to invest to strengthen its brand proposition, enhance the overall customer experience and extend its technology leadership.

The Board is confident that the Company is well placed to face the challenges and seek new opportunities to serve customers and meet the requirements of shareholders.

Appreciation

During the period under review, Mr. Tsim Wing-kit, Alfred retired by rotation as Non-Executive Director. I would like to thank Mr. Tsim for his valuable contribution at SmarTone over the years. 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, 16 February 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the period under review, service revenue fell by $104 million or 4% to $2,674 million (first half of 2015/16: $2,778 million), and 1% from $2,693 million in second half of 2015/16. Local mobile service revenue fell 3% when compared with first half of 2015/16 amidst customer migration from handset-bundled plans to SIM-only plans and a decline in revenue from prepaid products. This was partly offset by a revenue increase from existing customers upgrading to the latest tariffs upon contract expiry.

The Group's postpaid mobile business has been sustained and stable. Although the shift by customers to SIM-only plans has moderately impacted local service revenue, there was a corresponding reduction in handset subsidy amortisation. As a result, Group service revenue net of handset subsidy amortisation only fell by 1% when compared with the same period last year. Postpaid service revenue net of handset subsidy amortisation rose 2% when compared with the same period last year. When compared to the second half of 2015/16, Group service revenue net of handset subsidy amortisation and postpaid service revenue net of handset subsidy amortisation both rose by 2%.

During the period under review, Group revenue decreased 47% to $5,372 million (first half of 2015/16: $10,228 million), comprising a 4% decrease in service revenue, and 64% decline in handset and accessory sales mainly due to changes in market conditions. Group EBITDA fell 9% to $1,249 million (first half of 2015/16: $1,377 million). Group profit attributable to equity holders of the Company dropped by 2% to $393 million (first half of 2015/16: $403 million).

Compared with the second half of 2015/16, Group revenue fell 34% (second half of 2015/16: $8,127 million), with the change comprising a 50% decrease in handset and accessory sales and a 1% decrease in service revenue. Group EBITDA dropped 3% (second half of 2015/16: $1,283 million), while Group profit attributable to equity holders of the Company remained stable at $393 million (second half of 2015/16: $394 million).

Roaming revenue, which made up of 14% of Group's service revenue (first half of 2015/16: 15%), decreased due to cannibalisation of voice and SMS usage by over-the-top (OTT) applications and a continuing global downward trend in inter-operator tariffs. However, data roaming usage also increased and this partly offsets the overall drop in roaming revenue.

Changing customer patterns and the increasing use of OTT applications for communications resulted in lower revenue from prepaid products.

Group service operating profit was $484 million, representing a 10% decline over the previous year and a 2% growth over the second half of 2015/16.

The Group continually strives to enhance the quality of its products and services while broadening its customer base and driving real value for customers. During the period under review, Hong Kong customer numbers increased by 1% year-on-year to 2 million. Although average mobile postpaid churn rate rose to 1.2% (first half of 2015/16: 0.9%) amid a concentration of contract expirations, the Group's postpaid ARPU remained a market-leading $299 with minimal dilution (first half of 2015/16: $301).

Group's handset and accessory sales fell 64% to $2,699 million when compared with $7,451 million for the first half of 2015/16 and down $2,735 million or 50% when compared with $5,434 million for the second half of 2015/16. While handset revenue declined substantially, average margin has improved, resulted only in a marginal decline in handset profits.

Cost of inventories sold fell $4,749 million or 64% to $2,655 million when compared with $7,404 million for the first half of 2015/16 and fell $2,736 million or 51% as compared with $5,391 million for the second half of 2015/16. This decline was broadly in line with the decrease in handset and accessory sales.

Staff costs rose by $21 million or 6% to $372 million (first half of 2015/16: $351 million) mainly amid an increase in share-based payments, one-off redundancy costs and annual salary adjustments during the period under review and the departure of a director during the same period last year. Compared with the second half of 2015/16, staff costs remained stable at $372 million (second half of 2015/16: $371 million).

Other operating expenses remained stable at $1,096 million (first half of 2015/16: $1,096 million). Compared with the second half of 2015/16, other operating expenses rose by $14 million or 1% to $1,096 million (second half of 2015/16: $1,083 million). Higher network operating costs, sales and marketing and general administrative expenses were partly offset by lower cost of services provided, rentals and utilities.

Depreciation and loss on disposal fell slightly by $1 million to $342 million when compared with $343 million for the first half of 2015/16. Compared with the second half of 2015/16, depreciation and loss on disposal fell by $5 million or 1% (second half of 2015/16: $347 million) mainly amid lower disposal loss for dismantled sites.

Handset subsidy amortisation fell by $88 million or 25% to $265 million when compared with $353 million for the first half of 2015/16 and fell by $58 million or 18% when compared with $323 million for the second half of 2015/16. This decline was due to continuing customer migration from handset-bundled plans to SIM-only plans.

Mobile licence fee amortisation rose by $19 million or 20% to $114 million (first half of 2015/16: $95 million; second half of 2015/16: $95 million) amidst commencement of amortisation of licence fee for the renewed and additional 2100 MHz spectrum.

Finance income rose slightly by $1 million to $28 million (first half of 2015/16: $27 million). Compared with the second half of 2015/16, finance income fell by $5 million (second half of 2015/16: $33 million) amid significantly lower average balance of bank deposits after payment for the renewed and additional 2100MHz spectrum.

Finance costs excluding exchange gain fell by $11 million to $70 million when compared with $81 million for the first half of 2015/16 and fell by $3 million when compared with $73 million for the second half of 2015/16 amid lower accretion expenses on mobile license fee liabilities.

Exchange gain related to cash, bank deposits and borrowings amounted to $1 million (first half of 2015/16: loss of $47 million from RMB deposits). Exchange loss related to cash, bank deposits and borrowings for the second half of 2015/16 amounted to $2 million. The Group had minimal exposure to RMB, other than for operating needs.

Income tax expenses amounted to $97 million (first half of 2015/16: $87 million), reflecting an effective tax rate of 19.9% (first half of 2015/16: 17.9%). In light of 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 is therefore higher than 16.5%.

The increase in the effective tax rate was due to a higher amortisation expense for upfront spectrum utilisation fees (treated as non-deductible expense) for the renewal and additional 2100 MHz spectrum and lower non-taxable interest income from significantly reduced cash deposits.

Capital structure, liquidity and financial resources

The Group maintained a strong balance sheet for the period under review. During the period, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 31 December 2016, the Group recorded share capital of $109 million, total equity of $4,500 million and total borrowings of $2,789 million.

The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) of $849 million as at 31 December 2016 (30 June 2016: $3,242 million). The reduction was mainly due to payment of $2,287 million for the renewal and additional 2100MHz spectrum. The Group also has unutilised committed revolving banking facilities of $500 million as at 31 December 2016.

As at 31 December 2016, the Group had bank and other borrowings of $2,789 million (30 June 2016: $2,850 million) of which 80% were denominated in United States dollars and were arranged on a fixed rate basis. Net debt, after deducting cash and held-to-maturity debt securities, amounted to $1,110 million (30 June 2016: net cash of $1,262 million). Net debt to EBITDA (annualised) was 0.4X as at 31 December 2016 (30 June 2016: net cash to EBITDA at 0.5X).

The Group's net cash generated from operating activities and interest received was $826 million and $34 million respectively during the period ended 31 December 2016. The Group's major outflows of funds during the period were payments for mobile licence fees, dividends, additions of handset subsidies and purchases of fixed assets.

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.

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 2016, certain bank deposits of the Group, in aggregate amount of $2 million (30 June 2016: $2 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 $81 million as at 31 December 2016 (30 June 2016: $82 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 31 December 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. 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 2016 under these performance bonds was $305 million (30 June 2016: $305 million).

Employees and share option scheme

The Group had 2,083 full-time employees as at 31 December 2016 (30 June 2016: 2,140), with the majority of them based in Hong Kong. Total staff costs were $372 million for the period ended 31 December 2016 (first half of 2015/16: $351 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, 3,000,000 new share options were granted; and 352,500 share options were cancelled or lapsed. 3,000,000 (30 June 2016: 352,500) share options were outstanding as at 31 December 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 six months ended 31 December 2016 and the consolidated balance sheet as at 31 December 2016 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 2016

	Note	Unaudited six months ended 31 December **2016** **$000**	2015 $000
Service revenue		**2,673,627**	2,777,571
Handset and accessory sales		**2,698,677**	7,450,719
Revenues	4	**5,372,304**	10,228,290
Cost of inventories sold		**(2,655,218)**	(7,403,820)
Staff costs		**(372,037)**	(350,964)
Other operating expenses		**(1,096,478)**	(1,096,026)
Depreciation, amortisation and loss on disposal	7	**(721,207)**	(790,946)
Operating profit		**527,364**	586,534
Finance income	5	**28,247**	27,209
Finance costs	6	**(69,701)**	(127,693)
Profit before income tax	7	**485,910**	486,050
Income tax expense	8	**(96,576)**	(86,856)
Profit after income tax		**389,334**	399,194
Attributable to			
Equity holders of the Company		**393,399**	402,727
Non-controlling interests		**(4,065)**	(3,533)
		389,334	399,194
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**36.4**	38.0
Diluted		**36.4**	38.0

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2016

	Unaudited six months ended 31 December	
	2016	2015
	$000	$000
Profit for the period	**389,334**	399,194
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit and loss:		
Fair value (loss)/gain on financial investments, net of tax	**(1,624)**	5,117
Currency translation differences	**(1,859)**	(3,758)
Other comprehensive (loss)/income for the period, net of tax	**(3,483)**	1,359
Total comprehensive income for the period	**385,851**	400,553
Total comprehensive income attributable to		
Equity holders of the Company	**389,916**	404,086
Non-controlling interests	**(4,065)**	(3,533)
	385,851	400,553

Condensed Consolidated Balance Sheet
As at 31 December 2016 and 30 June 2016

	Note	**Unaudited 31 December 2016 $000**	Audited 30 June 2016 $000
Non-current assets			
Leasehold land and land use rights		**11,436**	12,264
Fixed assets		**3,054,707**	3,235,992
Interest in an associate		**3**	3
Financial investments		**709,015**	747,924
Intangible assets		**3,859,746**	1,757,113
Deposits and prepayments		**108,387**	117,296
Deferred income tax assets		**6,164**	6,497
		7,749,458	5,877,089
Current assets			
Inventories		**321,531**	340,770
Financial investments		**129,674**	133,180
Trade receivables	11	**289,926**	274,456
Deposits and prepayments		**166,377**	192,387
Other receivables		**44,968**	90,809
Tax reserve certificate		**252,362**	252,362
Pledged bank deposits		**2,385**	2,385
Short-term bank deposits		**-**	341,053
Cash and cash equivalents		**846,377**	2,898,512
		2,053,600	4,525,914
Current liabilities			
Trade payables	12	**521,599**	577,913
Other payables and accruals		**701,108**	853,473
Current income tax liabilities		**326,326**	545,292
Bank borrowings		**129,697**	126,228
Customer prepayments and deposits		**242,954**	325,633
Deferred income		**222,239**	228,047
Mobile licence fee liabilities		**59,278**	206,325
		2,203,201	2,862,911
Non-current liabilities			
Customer prepayments and deposits		**84,349**	73,871
Asset retirement obligations		**46,800**	47,839
Bank and other borrowings		**2,658,860**	2,724,195
Mobile licence fee liabilities		**180,051**	203,506
Deferred income tax liabilities		**129,529**	126,846
		3,099,589	3,176,257
Net assets		**4,500,268**	4,363,835

Condensed Consolidated Balance Sheet
As at 31 December 2016 and 30 June 2016

	Unaudited 31 December 2016 $000	Audited 30 June 2016 $000
Capital and reserves		
Share capital	**109,088**	108,118
Reserves	**4,348,177**	4,208,649
Total equity attributable to equity holders of the Company	**4,457,265**	4,316,767
Non-controlling interests	**43,003**	47,068
Total equity	**4,500,268**	4,363,835

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 16 February 2017.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2016 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by $149,601,000 as at 31 December 2016. Subscriptions of handset bundled plans resulted in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding the non-refundable customer prepayments of $200,149,000 (30 June 2016: $299,262,000) included in current liabilities, the Group would have net current assets of $50,548,000 as at 31 December 2016 (30 June 2016: $1,962,265,000). Based on the Group's history of its operating performance, availability of banking facilities and its expected future working capital requirements, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, these Interim Financial Statements have been prepared on a going concern basis.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2016, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 30 June 2017.

(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 2016.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

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.

(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 2016 and have not been early adopted.

HKAS 7 (Amendments)	Statement of Cash Flows[1]
HKAS 12 (Amendments)	Income Taxes[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.

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 2016			
	Hong Kong $000	**Macau $000**	**Elimination $000**	**Consolidated $000**
Revenues	**5,292,994**	**217,481**	**(138,171)**	**5,372,304**
EBITDA	**1,236,712**	**11,859**	**-**	**1,248,571**
Depreciation, amortisation and loss on disposal	**(692,605)**	**(28,611)**	**9**	**(721,207)**
Operating profit/(loss)	**544,107**	**(16,752)**	**9**	**527,364**
Finance income				**28,247**
Finance costs				**(69,701)**
Profit before income tax				**485,910**

	Unaudited six months ended 31 December 2015			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $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

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

(b) Segment assets/(liabilities)

	At 31 December 2016 (Unaudited)			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**8,384,715**	**321,125**	**1,097,218**	**9,803,058**
Segment liabilities	**(4,700,118)**	**(146,817)**	**(455,855)**	**(5,302,790)**

	At 30 June 2016 (Audited)			
	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)

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	
	2016	2015
	$000	$000
Interest income from listed debt securities	**21,868**	8,542
Interest income from bank deposits	**6,062**	18,409
Accretion income	**317**	258
	28,247	27,209

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	
	2016	2015
	$000	$000
Interest expense		
Bank and other borrowings	**48,187**	49,016
Bank charges for credit card instalment	**2,310**	3,144
Accretion expenses		
Mobile licence fee liabilities	**19,021**	28,093
Asset retirement obligations	**741**	863
Net exchange (gain)/loss on financing activities	**(558)**	46,577
	69,701	127,693

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	
	2016	2015
	$000	$000
Charging:		
Cost of services provided	**161,522**	183,803
Operating lease rentals for land and buildings, transmission sites and leased lines	**516,781**	505,294
Impairment loss of trade receivables (note 11)	**10,396**	6,530
Net exchange loss	**-**	53,086
Loss on disposal of fixed assets	**960**	4,437
Depreciation of fixed assets, leasehold land and land use rights	**341,408**	338,771
Amortisation of handset subsidies	**265,309**	352,829
Amortisation of mobile licence fees	**113,530**	94,909
Share-based payments	**2,013**	-
Crediting:		
Reversal of impairment loss of inventories	**4,624**	1,182
Net exchange gain	**1,041**	-

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 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	
	2016	2015
	$000	$000
Current income tax		
Hong Kong profits tax	**95,980**	86,846
Overseas tax	**768**	731
Over-provision in prior years		
Hong Kong profits tax	**-**	(1,361)
Overseas tax	**(3,188)**	-
	93,560	86,216
Deferred income tax	**3,016**	640
	96,576	86,856

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	
	2016	2015
Profit attributable to equity holders of the Company ($000)	**393,399**	402,727
Weighted average number of ordinary shares in issue	**1,080,874,643**	1,059,979,044
Basic earnings per share (cents per share)	**36.4**	38.0

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	
	2016	2015
Profit attributable to equity holders of the Company ($000)	**393,399**	402,727
Weighted average number of ordinary shares in issue	**1,080,874,643**	1,059,979,044
Adjustment for dilutive share options	**-**	1,218,996
Weighted average number of ordinary shares for diluted earnings per share	**1,080,874,643**	1,061,198,040
Diluted earnings per share (cents per share)	**36.4**	38.0

10 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2016	2015
	$000	$000
Interim dividend declared of 27 cents (2015: 27 cents) per share	**294,130**	286,722

At a meeting held on 16 February 2017, the directors declared an interim dividend of 27 cents per share for the year ending 30 June 2017. 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 2017.

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 **2016** **$000**	2015 $000
Final dividend of 33 cents (2015: 33 cents) per share	**356,167**	350,241

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 2016 $000	Audited 30 June 2016 $000
Current to 30 days	**261,827**	244,690
31 - 60 days	**20,422**	19,385
61 - 90 days	**5,078**	4,362
Over 90 days	**2,599**	6,019
	289,926	274,456

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 $10,396,000 (2015: $6,530,000) for the impairment of its trade receivables during the six months ended 31 December 2016. 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 2016 $000	Audited 30 June 2016 $000
Current to 30 days	**342,745**	514,218
31 - 60 days	**97,383**	32,851
61 - 90 days	**34,939**	7,262
Over 90 days	**46,532**	23,582
	521,599	577,913

INTERIM DIVIDEND

The Directors declared an interim dividend of 27 cents per share for the six months ended 31 December 2016 (2015: 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 Monday, 13 March 2017.

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 Wednesday, 12 April 2017 to shareholders whose names appear on the Register of Members of the Company on Friday, 3 March 2017.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim dividend is Friday, 3 March 2017. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Friday, 3 March 2017 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, 2 March 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2016, the Company repurchased 3,391,500 shares of the Company on The Stock Exchange of Hong Kong Limited. Of these repurchased shares, 1,885,000 shares were cancelled prior to 31 December 2016 and the balance of 1,506,500 shares were cancelled subsequently after 31 December 2016. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
		$	$	$
August 2016	1,394,000	12.88	12.20	17,426,000
September 2016	491,000	12.68	12.58	6,209,000
December 2016	1,506,500	10.36	10.22	15,507,000
	3,391,500			39,142,000

The Directors considered that the repurchases could lead to an enhancement of the Company's net asset value per share and/or the earnings per share. Save as disclosed above, at no time during the six months ended 31 December 2016 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 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 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 2016 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 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. Mr. Tsim Wing-kit, Alfred, Non-Executive Director, and Dr. Li Ka-cheung, Eric, 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 1 November 2016 due to overseas commitments or other prior engagements. The remaining seven Independent Non-Executive Directors and Non-Executive Directors (representing 58% 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.

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, 16 February 2017

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 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.