SmarTone Telecommunications Holdings Limited

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

2010 / 2011 ANNUAL RESULTS ANNOUNCEMENT

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

- Total revenue increased 68%
- Strong service revenue growth of 33%, driven by increase in both customer number & ARPU
- Data revenue increased 81%
- EBITDA increased 80%
- Net profit, at $754 million, was 2.5 times last year's
- Proposed final dividend of $0.42 per share, making full year dividend of $0.73 per share, at 100% payout ratio

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 30 June 2011.

Financial Highlights

In the year under review, the Group achieved strong improvements in financial results with substantial growth in service revenue, driven by increase in both customer number and ARPU. Both EBITDA and net profit were significantly higher than last year's.

Total revenue increased by 68% to $6,631 million. EBITDA grew 80% to $2,131 million. Profit attributable to equity holders, at $754 million, was 2.5 times last year's. Earnings per share increased to 73 cents.

Dividend

In line with the Group's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, your Board proposes a final dividend of 42 cents per share. Together with the interim dividend of 31 cents (adjusted for the bonus issue in April 2011), full year dividend amounts to 73 cents per share.

Business Review

Hong Kong

In the year under review, your Company achieved creditable financial performance, gaining further momentum and scale across all service portfolios. Our long-held focus on delivering superior network performance, innovating for proprietary services and providing unrivalled customer care have been increasingly recognised by our customers and the wider market. This is further boosted by the continuing growth in adoption of data centric smart devices that play to our strengths. The Company continues to make substantial gain in revenue market share, reflected in the increase in customer number and ARPU.

Customer number increased by 17% to 1.54 million, of which 71% were higher value postpaid customers. Average postpaid churn rate further improved to 1.0% in the second half of the financial year. Fully blended ARPU, defined as service revenue divided by number of SIM cards in issue across all service portfolios, increased by 15% to $249, breaching the highs in recent years.

Service revenue grew 33%. Data service revenue increased by 81%, and represents 49% of service revenue, driven by increasing customer adoption of data services with smartphones, mobile broadband including tablet computers, and wireless fixed broadband.

Our HSPA+ network is now upgraded to 42 Mbps speed everywhere. A network modernisation program to upgrade to a new generation of multi-mode multi-band base stations is well under way. This improves operational efficiency and paves the way for rollout of LTE when we consider that technology and its ecosystem to be mature enough for our customers. The Company will implement LTE in the 1800 MHz band due to its more attractive combination of coverage, capacity and cost when compared to LTE in the higher frequencies like the 2600 MHz band.

In March, the Company successfully bid for spectrum in the 850 MHz band which will soon be put into use in providing HSPA+, much enhancing in-building coverage and capacity. This also anticipates a low-frequency implementation of LTE-Advanced in the future.

The Company continued to innovate in bringing to market proprietary services that are compelling and relevant to targeted audiences, reliable and are easy to use.

Leveraging on the wider adoption of smartphones and their application stores, distribution of our cloud based services is now extended to customers of other networks, in Hong Kong and overseas. Our Horse Racing Infocast and Soccer Infocast services are available on iPhone's App Store and Android Markets for subscription by anyone, anywhere. Identifying a compelling need of many of our customers to mitigate the effects of nuisance marketing calls that are getting more prevalent and intrusive every day in Hong Kong, the Company recently launched its Call Guard service. It is another cloud based service that enables our customers to cooperate together in order to drastically reduce the number of nuisance calls and to regain control in their daily lives. Proprietary services enable your Company to meaningfully differentiate from the competition and to broaden its revenue sources.

Your Company continues to improve its customer care across all touch-points, including our stores, website, customer hotlines and social media, which enable us to better serve our customers' needs and further increase their loyalty.

Macau

SmarTone Macau launched 3G/HSPA+ service in July 2010, offering unique and compelling multimedia services that Macau consumers have never seen before. Market response has been encouraging. In the year under review, both revenue and profit increased.

Prospects

Despite increasing global economic uncertainties, the Hong Kong economy is expected to remain relatively resilient.

The Group will continue to focus on creating and delivering unbeatable and more valuable experiences to customers. It looks to increase its competitiveness by offering better real value through superior network performance, proprietary services and unrivalled customer care.

Anticipating future customer demand, your Group will continue to invest in network upgrade and expansion, and to develop services for its targeted customer segments. As smart device penetration continues, the Group is well positioned to capture this growth and gain revenue market share.

Your Group's balance sheet remains strong, with ample cash resources to meet all challenges and capture new opportunities, bringing value to both customers and shareholders.

Appreciation

During the year, Mr. Peter David Sullivan resigned as Independent Non-Executive Director of your Company. The Board would like to take this opportunity to thank Mr.

Sullivan for his valuable contributions to the Group over the past years. Mr. John Anthony Miller has been appointed as Non-Executive Director. I would like to welcome Mr. Miller to the Board.

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.

Raymond Ping-luen Kwok
Chairman

Hong Kong, 31 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

In the year under review, the Group reported impressive growth in service revenue driven by strong growth in both customer number and ARPU achieved under fierce market conditions. The strong momentum in raising service revenue, EBITDA and net profit continued. The encouraging results demonstrated that the Group's long held proposition of unbeatable and more valuable experiences had gained traction in the market place.

Service revenue grew by 33% to $4,603 million (2009/10: $3,452 million). EBITDA increased by 80% to $2,131 million (2009/10: $1,182 million). Profit attributable to equity holders of the Company surged by $460 million or 1.5 times to $754 million (2009/10: $294 million).

Revenues rose by $2,674 million or 68% to $6,631 million (2009/10: $3,957 million), with service revenue and device sales increasing by $1,151 million and $1,523 million respectively.

- Service revenue rose by $1,151 million or 33% to $4,603 million (2009/10: $3,452 million) driven by strong customer growth and increase in ARPU. This improvement was attributable to increased competitiveness through successful execution of the Group's strategy, supported by superior network performance, compelling proprietary services and unrivaled customer care.

  The Group achieved a 17% year-on-year growth in its Hong Kong customer base. Hong Kong fully blended ARPU rose by 15% to $249 (2009/10: $216) driven principally by data services, with increasing subscriptions to high price point data bundled plans by both new and existing customers. The growth momentum in customer base and ARPU continued.

- Handset and accessory sales rose by $1,523 million or 3 times to $2,028 million (2009/10: $505 million) attributable to increased sales volume and higher average unit selling price.

Cost of inventories sold and services provided rose by 137% to $2,500 million (2009/10: $1,056 million). Cost of inventories sold rose by almost 3 times to $1,905 million (2009/10: $495 million) in line with the increase in handset and accessory sales. Cost of services provided rose by 6% to $595 million (2009/10: $561 million).

Operating expenses, excluding depreciation, amortisation, impairment loss and loss on disposal, rose by $281 million or 16% to $2,000 million (2009/10: $1,719 million). The increase in operating expenses was scaling less than the growth in service revenue, resulted in improved operating leverage. Network costs rose by 5% as the Group continued to enhance its network capacity, quality and coverage. Staff costs grew by 23% as a result of a higher provision for staff performance bonus, an increase in headcount and general salary inflation. Sales and marketing expenses increased by 28% due to higher marketing costs for a series of marketing campaigns, and higher sales commissions in line with higher customer acquisitions. Other operating expenses, including rental and utilities, rose by 25% driven by cost increases to support the increase in business volume.

Depreciation, impairment loss and loss on disposal fell by $29 million or 6% to $474 million (2009/10: $503 million). Excluding the impact of accelerated depreciation and impairment loss of fixed assets of $51 million collectively recognised for the Macau operations in 2009/10, depreciation and loss on disposal rose by $22 million.

Handset subsidy amortisation rose by $329 million to $613 million (2009/10: $284 million) due to substantial increase in customer acquisitions using subsidised handsets. Mobile licence fee amortisation rose by $10 million to $77 million (2009/10: $67 million).

Finance income fell by $2 million to $32 million (2009/10: $34 million) due to lower interest income from debt securities. Finance costs, comprising of interest on bank borrowings and accretion expenses or deemed interest on asset retirement obligations and mobile licence fee liabilities, rose by $12 million to $98 million (2009/10: $86 million).

Income tax expense amounted to $136 million (2009/10: income tax credit of $20 million).

Macau operations reported an operating profit of $44 million (2009/10: $5 million, after accelerated depreciation and impairment loss of fixed assets of $51 million in total). Revenues rose by 28% to $282 million (2009/10: $221 million) driven by higher revenue from postpaid and inbound roaming services as well as higher handset sales. Cost of inventories sold and services provided rose by 35% whereas operating expenses rose by 51%, reflecting a higher cost structure since the launch of 3G services in July 2010. EBITDA fell slightly to $80 million (2009/10: $82 million).

Capital structure, liquidity and financial resources

During the year under review, the Group was financed by share capital, internally generated funds and short-term bank borrowings. The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits) and investments in held-to-maturity debt securities of $1,653 million as at 30 June 2011 (30 June 2010: $1,441 million). The Group had short-term bank borrowings of $550 million as at 30 June 2011 (30 June 2010: Nil).

During the year, the Group arranged committed 12-month Hong Kong dollar denominated revolving credit facilities from certain banks totalling $650 million, of which a sum of $550 million was utilised as at 30 June 2011.

The Group had net cash generated from operating activities and interest received amounted to $3,187 million and $43 million respectively during the year ended 30 June 2011. The Group's major outflows of funds during the year were payments for additions of handset subsidies, new spectrum at the 850MHz frequency band, purchase of fixed assets, dividends and repurchase of shares.

During the year under review, the Company completed a bonus issue of shares on the basis of one bonus share for every existing share in issue on 22 March 2011 (the "Bonus Issue"), with the bonus shares allotted on 6 April 2011. The bonus shares were credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares in the contributed surplus account of the Company. In order to allow the Bonus Issue, the authorised share capital of the Company was increased from $100 million to $200 million by creating 1,000 million additional shares.

During the year ended 30 June 2011, the Company repurchased 17,302,500 shares of the Company at an aggregate price of $179 million on The Stock Exchange of Hong Kong Limited. The highest and lowest prices per share were $10.68 and $8.50 respectively. These repurchased shares were repurchased before the Bonus Issue and had been cancelled during the year.

The Group's current liabilities exceeded its current assets by $593 million as at 30 June 2011, with a substantial increase in customer prepayments and deposits included in current liabilities. The significant growth in subscriptions of handset bundled plans resulted in the corresponding increases 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 $641 million (30 June 2010: $181 million) included in current liabilities, the Group would have net current assets of $48 million as at 30 June 2011 (30 June 2010: $447 million).

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 2012 with internal cash resources and short-term bank borrowings.

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 or invested in investment grade debt securities. Bank deposits are principally maintained in Hong Kong and United States dollars. Investments in debt securities are denominated in either Hong Kong dollar or United States dollar, and having a maximum maturity of three years. The Group's policy is to hold its investments in debt securities until maturity.

The Group is required to arrange for banks to issue performance bonds and letter of credit on its behalf. The Group may partially or fully collateralise such instruments by cash deposits to lower the issuance costs. Pledged bank deposits amounted to $411 million as at 30 June 2011 (30 June 2010: $340 million).

Functional currency and foreign exchange exposure

The functional currency of the Group is the Hong Kong dollar. All material revenues, expenses, assets and liabilities, except for the Group's United States dollar bank deposits and debt securities are denominated in Hong Kong dollar. The Group therefore does not have any significant exposure to foreign currency gain or loss other than from its United States dollar denominated bank deposits and debt securities. The Group does not currently undertake any foreign exchange hedging.

Contingent assets and liabilities

Fixed-mobile interconnection charge

As at 30 June 2011, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $285 million (30 June 2010: $153 million) and $197 million (30 June 2010: $105 million) respectively as disclosed in note 13 to this results announcement.

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 2011 under these performance bonds was $658 million (30 June 2010: $558 million).

Lease out, lease back arrangement

A bank, on the Group's behalf, had issued a letter of credit to guarantee the Group's obligations under a lease out, lease back arrangement entered into during the year ended 30 June 1999. This letter of credit is fully cash collateralised using surplus cash deposits. The directors are of the opinion that the risk of the Group being required to make payment under this guarantee is remote.

Employees and share option scheme

The Group had 1,951 full-time employees as at 30 June 2011 (30 June 2010: 1,782), with the majority of them based in Hong Kong. Total staff costs were $555 million for the year ended 30 June 2011 (2009/10: $450 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 a share option scheme 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, 3,763,500 share options were allotted pursuant to adjustments required for the Bonus Issue; 34,177,500 new share options were granted; 7,354,000 share options were exercised; and no share options were cancelled or lapsed. 39,191,500 (30 June 2010: 8,604,500) share options were outstanding as at 30 June 2011.

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 2011 and the consolidated balance sheet as at 30 June 2011 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account

For the year ended 30 June 2011

	Note	**2011 $000**	2010 $000
Service revenue		**4,603,396**	3,451,971
Handset and accessory sales		**2,027,701**	505,268
Revenues	4	**6,631,097**	3,957,239
Cost of inventories sold and services provided		**(2,499,640)**	(1,056,206)
Network costs		**(780,743)**	(743,585)
Staff costs		**(554,978)**	(449,569)
Sales and marketing expenses		**(310,778)**	(241,866)
Rental and utilities		**(159,546)**	(157,559)
Other operating expenses		**(194,446)**	(126,333)
Depreciation, amortisation, impairment loss and loss on disposal		**(1,164,166)**	(854,536)
Operating profit		**966,800**	327,585
Finance income	5	**32,346**	33,804
Finance costs	6	**(98,029)**	(86,352)
Profit before income tax	7	**901,117**	275,037
Income tax (expense)/credit	8	**(136,069)**	20,065
Profit after income tax		**765,048**	295,102
Attributable to			
Equity holders of the Company		**754,098**	293,754
Non-controlling interests		**10,950**	1,348
		765,048	295,102
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	9		
Basic		**73.0**	27.6
Diluted		**72.8**	27.6
Dividends	10		
Interim dividend paid		**318,023**	89,386
Final dividend proposed		**431,925**	183,891
		749,948	273,277

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	2011 $000	2010 $000
Profit for the year	**765,048**	295,102
Other comprehensive income/(losses)		
Fair value loss on financial investments, net of tax	**(828)**	(6,954)
Currency translation differences	**2,354**	391
Other comprehensive income/(losses) for the year, net of tax	**1,526**	(6,563)
Total comprehensive income for the year	**766,574**	288,539
Total comprehensive income attributable to		
Equity holders of the Company	**755,624**	287,191
Non-controlling interests	**10,950**	1,348
	766,574	288,539

Consolidated Balance Sheet

At 30 June 2011

	Note	**2011 $000**	2010 $000
Non-current assets			
Leasehold land and land use rights		**16,007**	15,893
Fixed assets		**2,110,483**	1,910,981
Interest in an associate		**3**	3
Financial investments		**108,068**	456,860
Intangible assets		**2,520,571**	892,459
Deposits and prepayments		**63,164**	95,547
Deferred income tax assets		**-**	3,673
		4,818,296	3,375,416
Current assets			
Inventories		**311,506**	47,918
Financial investments		**341,252**	313,535
Trade receivables	11	**293,201**	204,459
Deposits and prepayments		**135,538**	141,035
Other receivables		**106,341**	58,772
Pledged bank deposits		**410,977**	339,830
Cash and cash equivalents		**819,781**	360,182
		2,418,596	1,465,731
Current liabilities			
Trade payables	12	**698,032**	184,895
Other payables and accruals		**718,856**	552,533
Current income tax liabilities		**41,170**	53,235
Bank borrowings		**550,000**	-
Customer prepayments and deposits		**688,885**	212,962
Deferred income		**190,874**	102,668
Mobile licence fee liabilities		**123,830**	93,535
		3,011,647	1,199,828
Net current (liabilities)/assets	3	**(593,051)**	265,903
Total assets less current liabilities		**4,225,245**	3,641,319
Non-current liabilities			
Customer prepayments and deposits		**318,571**	110,204
Asset retirement and other obligations		**58,150**	78,444
Mobile licence fee liabilities		**780,654**	660,660
Deferred income tax liabilities		**159,186**	30,154
		1,316,561	879,462
Net assets		**2,908,684**	2,761,857

Consolidated Balance Sheet

At 30 June 2011

	Note	**2011 $000**	2010 $000
Capital and reserves			
Share capital		**102,839**	52,567
Reserves		**2,760,037**	2,674,432
Total equity attributable to equity holders of the Company		**2,862,876**	2,726,999
Non-controlling interests		**45,808**	34,858
Total equity		**2,908,684**	2,761,857

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 thousands of units of Hong Kong dollars ($000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31 August 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies 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 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.

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.

The Group's current liabilities exceeded its current assets by $593,051,000 as at 30 June 2011, with a substantial increase in customer prepayments and deposits included in current liabilities. The significant growth in subscriptions of handset bundled plans resulted in corresponding increases 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 $641,376,000 (2010: $181,126,000) included in current liabilities, the Group would have net current assets of $48,325,000 as at 30 June 2011 (2010: $447,029,000). Based on the Group's history of its operating performance 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 consolidated financial statements have been prepared on a going concern basis.

(a) Amendments to standards adopted by the Group

The following amendments to standards and an interpretation are mandatory and relevant to the Group for the financial year beginning on 1 July 2010.

HKFRS (Amendments)	Improvements to HKFRSs 2009[1]
HKFRS (Amendments)	Improvements to HKFRSs 2010[2]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction[1]
HK(IFRIC) – Int 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clauses[3]

[1] Effective for annual periods beginning on or after 1 January 2010.
[2] Effective for annual periods beginning on or after 1 July 2010, as appropriate.
[3] Effective immediately from 29 November 2010.

The adoption of the above amendments to standards and an interpretation have no significant impact on these financial statements.

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

The following new and revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting policies beginning on or after 1 July 2011 or later periods but which the Group has not early adopted.

HKFRS (Amendment)	Improvements to HKFRSs 2010[1]
HKAS 1 (Amendment)	Presentation of Financial Statements[5]
HKAS 12 (Amendment)	Deferred Tax-Recovery of Underlying Assets[4]
HKAS 19 (Amendment)	Employee Benefits[6]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27	Separate Financial Statements[6]
HKAS 28	Investments in Associates and Joint Ventures[6]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendment)	Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurements[6]
HK (IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]

[1] Effective for annual periods beginning on or after 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 January 2011.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of assessing the impact of these new and revised standards, amendments and interpretations to existing standards and does not expect there will be a material impact on the consolidated financial statements of the Group.

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, impairment loss 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 2011			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**6,418,263**	**282,430**	**(69,596)**	**6,631,097**
EBITDA	**2,051,069**	**79,897**	**-**	**2,130,966**
Depreciation, amortisation and loss on disposal	**(1,128,447)**	**(35,894)**	**175**	**(1,164,166)**
Operating profit	**922,622**	**44,003**	**175**	**966,800**
Finance income				**32,346**
Finance costs				**(98,029)**
Profit before income tax				**901,117**
Other information				
Additions to fixed assets	**613,246**	**73,663**	**-**	**686,909**
Additions to intangible assets	**2,301,856**	**24,720**	**-**	**2,326,576**
Depreciation	**428,231**	**29,594**	**(175)**	**457,650**
Amortisation of leasehold land and land use rights	**656**	**-**	**-**	**656**
Amortisation of intangible assets	**683,723**	**6,086**	**-**	**689,809**
Loss on disposal of fixed assets	**15,837**	**214**	**-**	**16,051**
Impairment loss of trade receivables	**18,509**	**189**	**-**	**18,698**
Impairment loss/(reversal of impairment loss) of inventories	**118**	**(49)**	**-**	**69**

(a) Segment results (Continued)

	For the year ended 30 June 2010			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
Revenues	3,761,144	220,892	(24,797)	3,957,239
EBITDA	1,100,047	82,074	-	1,182,121
Depreciation, amortisation, impairment loss and loss on disposal (i)	(774,992)	(77,044)	(2,500)	(854,536)
Operating profit	325,055	5,030	(2,500)	327,585
Finance income				33,804
Finance costs				(86,352)
Profit before income tax				275,037
Other information				
Additions to fixed assets	477,953	91,256	-	569,209
Additions to intangible assets	540,268	1,483	-	541,751
Depreciation	413,765	66,999	-	480,764
Amortisation of leasehold land and land use rights	635	-	-	635
Amortisation of intangible assets	349,793	1,289	-	351,082
Impairment loss of fixed assets	-	10,700	-	10,700
Loss/(gain) on disposal of fixed assets	10,799	(1,944)	2,500	11,355
Impairment loss of trade receivables	10,321	494	-	10,815
Reversal of impairment loss of inventories	(252)	(130)	-	(382)

(i) Included accelerated depreciation of $40,472,000 and impairment loss of fixed assets of $10,700,000 for Macau operations recognised as a result of the early retirement of certain 2G mobile network equipment, following the change of sole network solution provider for the launch of 3G mobile network and replacement of 2G mobile network.

(b) Segment assets/(liabilities)

	At 30 June 2011			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**6,512,182**	**275,387**	**449,323**	**7,236,892**
Segment liabilities	**(4,027,684)**	**(100,168)**	**(200,356)**	**(4,328,208)**

	At 30 June 2010			
	Hong Kong	Macau	Unallocated	Consolidated
	$000	$000	$000	$000
Segment assets	3,840,656	226,420	774,071	4,841,147
Segment liabilities	(1,889,051)	(106,850)	(83,389)	(2,079,290)

Unallocated assets consist of 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

	2011	2010
	$000	$000
Interest income from listed debt securities	**25,498**	28,506
Interest income from unlisted debt securities	**3,947**	3,655
Interest income from bank deposits	**2,441**	1,501
Accretion income	**460**	142
	32,346	33,804

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

	2011 $000	2010 $000
Interest expense on bank borrowings	**913**	-
Accretion expenses (i)		
Mobile licence fee liabilities	**94,634**	83,710
Asset retirement obligations	**2,482**	2,642
	98,029	86,352

(i) 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:

	2011 $000	2010 $000
Charging:		
Cost of inventories sold	**1,905,389**	495,333
Operating lease rentals for land and buildings, transmission sites and leased lines	**691,408**	675,591
Impairment loss of trade receivables (note 11)	**18,698**	10,815
Amortisation		
Handset subsidies	**612,912**	283,791
Mobile licence fees	**76,897**	67,291
Leasehold land and land use rights	**656**	635
Depreciation		
Owned fixed assets	**457,650**	434,351
Leased fixed assets	**-**	46,413
Impairment loss of fixed assets	**-**	10,700
Loss on disposal of fixed assets	**16,051**	11,355
Auditor's remuneration	**1,702**	1,555
Contributions to defined contribution plans included in staff costs*	**29,348**	26,018
Share-based payments	**2,510**	-
Net exchange loss	**277**	-
Impairment loss of inventories	**69**	-
Crediting:		
Net exchange gain	**-**	5,595
Reversal of impairment loss of inventories	**-**	382

* *Net of forfeited contributions of $574,000 (2010: $835,000).*

8 Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 charged/(credited) to the consolidated profit and loss account represents:

	2011 $000	2010 $000
Current income tax		
Hong Kong profits tax	**944**	46,062
Overseas tax	**2,163**	4,416
Under-provision in prior year tax charge		
Hong Kong profits tax	**257**	626
	3,364	51,104
Deferred income tax assets	**3,673**	(3,673)
Deferred income tax liabilities	**129,032**	(67,496)
Income tax expense/(credit)	**136,069**	(20,065)

(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 countries of the Group entities is as follows:

	2011 $000	2010 $000
Profit before income tax	**901,117**	275,037
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2010: 16.5%)	**148,684**	45,381
Effect of different tax rates in other countries	**(2,031)**	(1,578)
Expenses not deductible for tax purposes	**1,074**	84
Income not subject to tax	**(5,652)**	(6,839)
Tax losses for which no deferred income tax asset was recognised	**-**	4,097
Utilisation of previously unrecognised tax losses	**(9,108)**	(5,004)
Under-provision in prior year	**257**	626
Recognition of previously unrecognised temporary differences	**-**	(55,315)
Temporary differences not recognised	**2,845**	(1,517)
Income tax expense/(credit)	**136,069**	(20,065)

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, after taking into account the effect of the Bonus Issue.

	2011	2010
Profit attributable to equity holder of the Company ($000)	**754,098**	293,754
Weighted average number of ordinary shares in issue	**1,032,919,204**	1,062,896,750*
Basic earnings per share (cents per share)	**73.0**	27.6

(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 and adjusting for the Bonus Issue. For dilutive share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to equity holders of the Company ($000)	**754,098**	293,754
Weighted average number of ordinary shares in issue	**1,032,919,204**	1,062,896,750*
Adjustment for dilutive share options	**3,411,513**	-
Weighted average number of ordinary shares for diluted earnings per share	**1,036,330,717**	1,062,896,750
Diluted earnings per share (cents per share)	**72.8**	27.6

Diluted earnings per share for the year ended 30 June 2010 were equal to basic earnings per share as none of the shares were deemed to be issued at no consideration if all outstanding options had been exercised.

* As restated on the assumption that the Bonus Issue had been in place in prior year.

10 Dividends

	2011	2010
	$000	$000
Interim dividend, paid, of 31 cents (2010: 8.5 cents, as restated*) per share	**318,023**	89,386
Final dividend, proposed, of 42 cents (2010: 17.5 cents, as restated*) per share	**431,925**	183,891
	749,948	273,277

* As restated on the assumption that the Bonus Issue had been in place in prior year.

At a meeting held on 31 August 2011, the directors proposed a final dividend of 42 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 2012.

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

The aggregate amounts of the dividends paid and proposed during 2011 and 2010 have been disclosed in the consolidated profit and loss account in accordance with the Hong Kong Companies Ordinance.

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:

	2011	2010
	$000	$000
Current to 30 days	**257,348**	180,478
31 - 60 days	**21,242**	16,174
61 - 90 days	**5,820**	3,997
Over 90 days	**8,791**	3,810
	293,201	204,459

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 $18,698,000 (2010: $10,815,000) for the impairment of its trade receivables during the year ended 30 June 2011. 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 of receivables.

12 Trade payables

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

	2011 **$000**	2010 $000
Current to 30 days	**508,422**	161,374
31 - 60 days	**162,253**	11,038
61 - 90 days	**12,564**	5,592
Over 90 days	**14,793**	6,891
	698,032	184,895

13 Other contingent assets and liabilities

The Office of the Telecommunications Authority ("OFTA") of Hong Kong withdrew the regulatory guidance on fixed-mobile interconnection charge ("FMIC") on 27 April 2009. Since then, FMIC was to be settled by commercial agreements between fixed and mobile operators. The Group adopts the Calling Party's Network Pay ("CPNP") principle when negotiating FMIC with the fixed network operators in Hong Kong ("FNOs"). CPNP is a fair and reasonable regime as FMIC is payable by the call originating network.

During the year ended 30 June 2011, the Group issued invoices for FMIC with a total amount of $131,588,000 (2010: $129,089,000) to the interconnecting FNOs and received invoices for FMIC with a total amount of $91,618,000 (2010: $89,445,000) from some interconnecting FNOs. All these invoices were in dispute since the commercial terms for interconnection had not been agreed upon. If the Group fails to agree with any FNO on the commercial terms after a prolonged period of time, either the Group or the FNO may request the Telecommunications Authority to determine the level of FMIC under Section 36A of the Telecommunications Ordinance (Cap 106).

No income or charge in respect of fixed-mobile interconnection has been recognised for the period from 27 April 2009 to 30 June 2011 since it is impracticable to estimate the amount or timing of such income and charge. As at 30 June 2011, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $284,828,000 (2010: $153,240,000) and $196,979,000 (2010: $105,361,000) respectively.

DIVIDENDS

The directors recommended the payment of a final dividend for the year ended 30 June 2011 of 42 cents per share (2009/10: 17.5 cents, adjusted for the 1:1 bonus issue in April 2011 (the “Bonus Issue”)). The proposed final dividend, together with the interim dividend of 31 cents per share (adjusted for the Bonus Issue) paid by the Company during the year (2009/10: 8.5 cents, adjusted for the Bonus Issue), makes a total dividend for the year of 73 cents per share.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be paid on or about 17 November 2011 to shareholders registered in the Company’s Register of Members as at the close of business on 14 November 2011.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Wednesday, 2 November 2011. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Monday, 31 October 2011 to Wednesday, 2 November 2011, 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 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 28 October 2011.

The record date for entitlement to the proposed final dividend is Monday, 14 November 2011. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Thursday, 10 November 2011 to Monday, 14 November 2011, both days inclusive, during which period 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 Wednesday, 9 November 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2011, the Company repurchased 17,302,500 shares of the Company on The Stock Exchange of Hong Kong Limited. These repurchased shares were cancelled prior to 30 June 2011. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
		$	$	$
September 2010	2,012,000	10.10	8.50	19,128,000
October 2010	12,874,000	10.48	10.18	134,413,000
November 2010	2,416,500	10.68	10.36	25,320,000
	17,302,500			178,861,000

Save as disclosed above, at no time during the year ended 30 June 2011 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 full year financial statements and reports of the Group for the year ended 30 June 2011. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices 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 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 2011, the Company has applied the principles and complied with the requirements set out in the “Code on Corporate Governance Practices” (the "CG Code") contained in Appendix 14 of the Listing Rules with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. 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.

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 2010/11 Annual Report.

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

Hong Kong, 31 August 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Douglas Li and Mr. Patrick Kai-lung Chan; Non-Executive Directors are Mr. Raymond Ping-luen Kwok, Mr. Wing-yui Cheung, Mr. David Norman Prince, Mr. Wing-chung Yung, Mr. Thomas Hon-wah Siu, Mr. Alfred Wing-kit Tsim and Mr. John Anthony Miller; Independent Non-Executive Directors are Dr. Eric Ka-cheung Li, JP, Mr. Leung-sing Ng, JP, Mr. Xiang-dong Yang and Mr. Eric Fock-kin Gan.