SmarTone Telecommunications Holdings Limited

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

2011 / 2012 ANNUAL RESULTS ANNOUNCEMENT

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

- Service revenue increased 24%, driven by growth in customer number & increased ARPU
- Data revenue increased 42%
- EBITDA increased 39%
- Net profit increased 36% to $1,023 million
- Proposed final dividend of $0.53 per share, making full year dividend of $0.99 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 2012.

Financial Highlights

The Group delivered a strong performance in the year under review with increases in customer numbers and ARPU driving strong revenue growth. The growth together with improved operating leverage resulted in both EBITDA and net profit growth by over a third.

Total revenue increased by 50% to $9,952 million, with a 24% growth in service revenue. EBITDA increased 39% to $2,992 million. Profit attributable to equity holders grew by 36% to $1,023 million. Earnings per share increased to 99 cents, compared with 73 cents (adjusted for the bonus issue in April 2011) last year.

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 53 cents per share. Together with the interim dividend of 46 cents, full year dividend amounts to 99 cents per share. Shareholders will have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

Hong Kong

SmarTone continued to achieve service revenue growth through increased ARPU and customer numbers in the year under review amidst increasing competition. This reflects the strength of the Company's strategy in focusing on the delivery of an outstanding customer experience, with superior network performance, proprietary services, and exceptional customer care.

Fully blended ARPU, defined as service revenue divided by number of SIM cards in issue, increased by 11% year-on-year to $277. Customer numbers increased by 6% year-on-year to 1.64 million, of which 69% were higher spending postpaid customers. Average postpaid mobile churn rate rose modestly to 1.3%, with the increase largely confined to the lower ARPU customers.

Service revenue grew a healthy 24% with strong data revenue growth partly offset by a decline in inbound roaming revenues, reflecting weak overseas economies and lower inter-operator roaming tariffs. Data service revenue increased by 42%, and now accounts for 56% of service revenue, with the growth mainly attributable to increasing customer adoption of data services and smart mobile devices.

With rising mobile broadband usage, the Company is investing in a 4G LTE network, operating on the 1800MHz band, which is being put into general service in September. The higher speeds and very low latency of 4G will deliver an improved customer experience, as well as greatly increasing our mobile broadband capacity. In the year under review, the majority of capital expenditure was invested in 3G/HSPA network capacity and coverage enhancement on both the 850MHz and 2100MHz bands. This has clearly helped the Company extend its market leadership in network performance. Recent extensive benchmark tests of all Hong Kong networks showed, with the use types most commonly enjoyed by consumers, SmarTone 3G significantly outperformed all other 3G networks, and even others' 4G networks 30% of the time. The Company is confident its superiority in 3G will extend into 4G.

The Company continues to develop proprietary services, furthering differentiation and generating additional service revenue. New features have been added to popular proprietary services such as Call Guard and X-Power, while new service applications Social Mobile and Hong Kong Credit Card Privileges have been launched. These services are supported on all key smartphone and tablet platforms.

All SmarTone stores have now been upgraded to full wireless and paperless operation, increasing operational flexibility and efficiency. The customers' retail experience is also enhanced, with full service available anywhere within the store as well as more room devoted to display and demonstration. Past investment in customer care support systems and training are bearing fruit, with frontline staff consistently being rated highly by customers. Investment is now directed at enabling support systems and staff to provide a more personalised level of service.

Macau

SmarTone Macau registered growth in both revenue and profit in the year under review.

Prospects

Amidst the weak global economic environment, the Hong Kong economy faces greater uncertainty while inflationary pressure persists.

Competition in the marketplace has intensified, and while the Company continues to invest in service leadership, it has also launched price plans targeting different customer segment needs.

With the introduction of 4G and much increased network capacity, new price plans with tiered pricing, serving high usage customers, have been introduced. Additionally, lower priced speed capped 3G broadband plans were launched to attract lower spending market segments that were previously untapped by the Company.

The Company's decision to implement 4G at 1800MHz has proven prescient as 1800MHz has since become a mainstream band worldwide, supported on all 4G phones sold in Hong Kong. Radio transmission at 1800MHz enjoys better in-building coverage than higher frequencies, a competitive advantage that your Company considers important for Hong Kong consumers. With the expected inexorable rise in data usage, our 4G is designed to meet that demand. Any further demand can be met by a combination of cell densification, new small cell technologies that are under trial, LTE-Advanced, and refarming and acquisition of spectrum. As always, the Company will pursue a strategy that extends its customer experience leadership, while being consistent with the goal of generating the best return on investment.

The Group has net cash of $1.3 billion, providing a flexibility that is valuable amidst the uncertain global economic environment.

Appreciation

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 4 September 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the year under review, the Group achieved continued growth in service revenue, EBITDA and net profit. Service revenue grew by 24% to $5,723 million (2010/11: $4,603 million). EBITDA rose by 39% to $2,992 million (2010/11: $2,152 million). Profit attributable to equity holders of the Company increased by 36% to $1,023 million (2010/11: $754 million).

Revenues rose by $3,321 million or 50% to $9,952 million (2010/11: $6,631 million).

- Service revenue rose by $1,120 million or 24% to $5,723 million (2010/11: $4,603 million) driven by customer growth and increase in ARPU.

  The Group achieved a 6% year-on-year growth in its Hong Kong customer base. Hong Kong fully blended ARPU rose by 11% to $277 (2010/11: $249) driven primarily by data services, with increasing subscriptions of high-tier integrated voice and data plans by both new and existing customers.

- Handset and accessory sales rose by $2,201 million or 1.1 times to $4,229 million (2010/11: $2,028 million) driven by strong growth in smart device sales. Both sales volume and average unit selling price increased.

Cost of inventories sold rose by $2,284 million or 1.2 times to $4,189 million (2010/11: $1,905 million) in line with the increase in handset and accessory sales.

Staff costs grew by $90 million or 16% to $645 million (2010/11: $555 million) of which half of the increase related to the share-based payments for the share options granted to over 140 managerial staff.

Other operating expenses rose by $107 million or 5% to $2,126 million (2010/11: $2,019 million). The increase was mainly due to a 12% increase in network costs as the Group continued to improve its network capacity, quality and coverage. Cost of services provided, sales and marketing expenses, rental and utilities and general administrative expenses fell by 1% collectively. Impairment loss of financial investments of $23 million (2010/11: nil) arose from the decline in the fair value of the available-for-sale financial assets.

Depreciation and loss on disposal increased by $41 million or 9% to $515 million (2010/11: $474 million). Handset subsidy amortisation rose by $410 million to $1,023 million (2010/11: $613 million) as a result of increased customer acquisitions and retentions using subsidised handsets, in particular smart devices. Mobile licence fee amortisation rose by $15 million to $92 million (2010/11: $77 million).

Finance income fell by $5 million to $27 million (2010/11: $32 million). Finance costs rose by $16 million to $135 million (2010/11: $119 million) mainly due to higher bank charges for credit card instalment in respect of handset bundle subscriptions. Accretion expenses or deemed interest on mobile licence fee liabilities and interest on bank borrowings increased by $7 million collectively.

Income tax expense amounted to $212 million (2010/11: $136 million).

Macau operations reported an operating profit of $72 million (2010/11: $44 million). Revenues rose by $103 million to $385 million (2010/11: $282 million) driven by higher service revenue and increased handset sales.

Capital structure, liquidity and financial resources

During the year under review, the Group was financed by share capital, internally generated funds and bank borrowings. The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) and investments in held-to-maturity debt securities of $1,413 million as at 30 June 2012 (30 June 2011: $1,653 million).

As at 30 June 2012, the Group had bank borrowings of $66 million which were denominated in Hong Kong dollars and secured by certain assets of the Group. The carrying amount of the pledged assets of the Group amounted to $92 million (30 June 2011: nil). As at 30 June 2011, the Group had a committed 12-month Hong Kong dollar denominated revolving credit facilities from certain banks totaling $650 million of which $550 million was utilised. During the year, the Group fully repaid the outstanding amount.

The Group had net cash generated from operating activities and interest received amounted to $3,184 million and $34 million respectively during the year ended 30 June 2012. The Group's major outflows of funds during the year were payments for additions of handset subsidies, purchase of fixed assets, dividends, repayment of bank borrowings and mobile licence fees.

The Group's current liabilities exceeded its current assets by $661 million as at 30 June 2012 (30 June 2011: $593 million). The 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 non-refundable customer prepayments of $788 million (30 June 2011:

$641 million) included in current liabilities, the Group would have net current assets of $128 million as at 30 June 2012 (30 June 2011: $48 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 2013 with internal cash resources and 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 maintained in Hong Kong dollars, United States dollars and other currencies. 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 $9 million as at 30 June 2012 (30 June 2011: $411 million).

Functional currency and foreign exchange exposure

The functional currency of the Group is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, trade payables, bank deposits and debt securities denominated in United States dollars. Hong Kong dollar is pegged to US dollar, and thus foreign exchange exposure is considered minimal. The Group does not currently undertake any foreign exchange hedging.

Contingent assets and liabilities

Fixed-mobile interconnection charge

During the year ended 30 June 2012, the Group entered into agreements with fixed network operators in Hong Kong in respect of fixed-mobile interconnection charge, whereby the parties agreed to withdraw all the invoices issued to each other, and to adopt the "Bill and Keep" approach. Under this approach, each party agrees to provide fixed-mobile interconnection services at no charge. As a result, there are no contingent assets and liabilities in respect of FMIC as at 30 June 2012 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 2012 under these performance bonds was $709 million (30 June 2011: $658 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 2,116 full-time employees as at 30 June 2012 (30 June 2011: 1,951), with the majority of them based in Hong Kong. Total staff costs were $645 million for the year ended 30 June 2012 (2010/11: $555 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, 1,942,500 new share options were granted; 5,036,500 share options were exercised; and 1,600,000 share options were cancelled or lapsed. 34,497,500 (30 June 2011: 39,191,500) share options were outstanding as at 30 June 2012.

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 2012 and the consolidated balance sheet as at 30 June 2012 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account

For the year ended 30 June 2012

	Note	**2012**	2011
		$000	$000
			(Note 14)
Service revenue		**5,723,166**	4,603,396
Handset and accessory sales		**4,228,973**	2,027,701
Revenues	4	**9,952,139**	6,631,097
Cost of inventories sold		**(4,189,220)**	(1,905,389)
Staff costs		**(645,473)**	(554,978)
Other operating expenses		**(2,125,833)**	(2,018,775)
Depreciation, amortisation and loss on disposal		**(1,630,097)**	(1,164,166)
Operating profit		**1,361,516**	987,789
Finance income	5	**26,529**	32,346
Finance costs	6	**(135,138)**	(119,018)
Profit before income tax	7	**1,252,907**	901,117
Income tax expense	8	**(212,212)**	(136,069)
Profit after income tax		**1,040,695**	765,048
Attributable to			
Equity holders of the Company		**1,022,880**	754,098
Non-controlling interests		**17,815**	10,950
		1,040,695	765,048
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	9		
Basic		**99.2**	73.0
Diluted		**98.9**	72.8
Dividends	10		
Interim dividend paid		**473,831**	318,023
Final dividend proposed		**549,462**	431,925
		1,023,293	749,948

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	2012 $000	2011 $000
Profit for the year	**1,040,695**	765,048
Other comprehensive income		
Fair value loss on financial investments, net of tax	**(400)**	(828)
Currency translation differences	**1,669**	2,354
Other comprehensive income for the year, net of tax	**1,269**	1,526
Total comprehensive income for the year	**1,041,964**	766,574
Total comprehensive income attributable to		
Equity holders of the Company	**1,024,149**	755,624
Non-controlling interests	**17,815**	10,950
	1,041,964	766,574

Consolidated Balance Sheet

At 30 June 2012

	Note	**2012 $000**	2011 $000
Non-current assets			
Leasehold land and land use rights		**15,650**	16,007
Fixed assets		**2,529,922**	2,110,483
Interest in an associate		**3**	3
Financial investments		**-**	108,068
Intangible assets		**2,601,660**	2,520,571
Deposits and prepayments		**70,084**	63,164
Deferred income tax assets		**3,670**	-
		5,220,989	4,818,296
Current assets			
Inventories		**255,236**	311,506
Financial investments		**82,678**	341,252
Trade receivables	11	**341,311**	293,201
Deposits and prepayments		**157,665**	135,538
Other receivables		**77,380**	106,341
Pledged bank deposits		**8,727**	410,977
Short-term bank deposits		**56,469**	-
Cash and cash equivalents		**1,268,400**	819,781
		2,247,866	2,418,596
Current liabilities			
Trade payables	12	**615,533**	698,032
Other payables and accruals		**892,104**	718,856
Current income tax liabilities		**174,094**	41,170
Bank borrowings		**-**	550,000
Customer prepayments and deposits		**866,982**	688,885
Deferred income		**192,731**	190,874
Mobile licence fee liabilities		**167,156**	123,830
		2,908,600	3,011,647
Net current liabilities	3	**(660,734)**	(593,051)
Total assets less current liabilities		**4,560,255**	4,225,245
Non-current liabilities			
Customer prepayments and deposits		**347,856**	318,571
Asset retirement obligations		**61,296**	58,150
Bank borrowings		**66,000**	-
Mobile licence fee liabilities		**707,187**	780,654
Deferred income tax liabilities		**203,355**	159,186
		1,385,694	1,316,561
Net assets		**3,174,561**	2,908,684

Consolidated Balance Sheet

At 30 June 2012

	2012 **$000**	2011 $000
Capital and reserves		
Share capital	**103,672**	102,839
Reserves	**3,007,266**	2,760,037
Total equity attributable to equity holders of the Company	**3,110,938**	2,862,876
Non-controlling interests	**63,623**	45,808
Total equity	**3,174,561**	2,908,684

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 4 September 2012.

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 $660,734,000 as at 30 June 2012 (2011: $593,051,000). The 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 $788,373,000 (2011: $641,376,000) included in current liabilities, the Group would have net current assets of $127,639,000 as at 30 June 2012 (2011: $48,325,000). 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.

3 Basis of preparation (Continued)

(a) Revised standards and amendments to standards relevant to and adopted by the Group

The following revised standards and amendments to standards are mandatory and relevant to the Group for the financial year beginning on 1 July 2011.

HKFRS (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[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.

The adoption of above revised standards and amendments to existing standards have no significant impact on these financial statements.

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

The following new and revised standards, amendments to standards and interpretations to existing standards have been published and are mandatory for the Group's accounting policies beginning on or after 1 July 2012 or later periods but which the Group has not early adopted.

HKAS 1 (Amendment)	Presentation of Financial Statements[2]
HKAS 12 (Amendment)	Deferred Tax-Recovery of Underlying Assets[1]
HKAS 19 (Amendment)	Employee Benefits[3]
HKAS 27 (Revised 2011)	Separate Financial Statements[3]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[5]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangement[3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurements[3]

[1] Effective for annual periods beginning on or after 1 January 2012.
[2] Effective for annual periods beginning on or after 1 July 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of assessing the impact of these new and revised standards, amendments to standards 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 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 2012			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**9,669,376**	**384,743**	**(101,980)**	**9,952,139**
EBITDA	**2,857,715**	**133,898**	**-**	**2,991,613**
Depreciation, amortisation and loss on disposal	**(1,569,117)**	**(61,436)**	**456**	**(1,630,097)**
Operating profit	**1,288,598**	**72,462**	**456**	**1,361,516**
Finance income				**26,529**
Finance costs				**(135,138)**
Profit before income tax				**1,252,907**
Other information				
Additions to fixed assets	**802,610**	**136,380**	**-**	**938,990**
Additions to intangible assets	**1,190,983**	**17,186**	**-**	**1,208,169**
Depreciation	**464,532**	**44,637**	**(456)**	**508,713**
Amortisation of leasehold land and land use rights	**684**	**-**	**-**	**684**
Amortisation of intangible assets	**1,098,112**	**16,804**	**-**	**1,114,916**
Loss/(gain) on disposal of fixed assets	**5,789**	**(5)**	**-**	**5,784**
Impairment loss of financial investments	**23,381**	**-**	**-**	**23,381**
Impairment loss of trade receivables	**16,192**	**282**	**-**	**16,474**
Impairment loss of inventories	**4,824**	**416**	**-**	**5,240**

4 Segment reporting (Continued)

(a) Segment results (Continued)

	For the year ended 30 June 2011			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000 (Note 14)
Revenues	6,418,263	282,430	(69,596)	6,631,097
EBITDA	2,072,058	79,897	-	2,151,955
Depreciation, amortisation and loss on disposal	(1,128,447)	(35,894)	175	(1,164,166)
Operating profit	943,611	44,003	175	987,789
Finance income				32,346
Finance costs				(119,018)
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

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

4 Segment reporting (Continued)

(b) Segment assets/(liabilities)

	At 30 June 2012			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**6,977,768**	**404,736**	**86,351**	**7,468,855**
Segment liabilities	**(3,760,962)**	**(155,883)**	**(377,449)**	**(4,294,294)**

	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)

The total of non-current assets other than interest in an associate, financial investments and deferred income tax assets located in Hong Kong is $4,952,564,000 (2011: $4,535,752,000), and the total of these non-current assets located in Macau is $264,752,000 (2011: $174,473,000).

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

	2012	2011
	$000	$000
Interest income from listed debt securities	**9,886**	25,498
Interest income from unlisted debt securities	**4,684**	3,947
Interest income from bank deposits	**11,737**	2,441
Accretion income	**222**	460
	26,529	32,346

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

	2012 $000	2011 $000 (Note 14)
Interest expense on bank borrowings	**3,836**	913
Bank charges for credit card instalment	**30,503**	20,989
Accretion expenses		
Mobile licence fee liabilities	**98,379**	94,634
Asset retirement obligations	**2,420**	2,482
	135,138	119,018

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:

	2012 $000	2011 $000
Charging:		
Cost of services provided	**564,521**	594,251
Operating lease rentals for land and buildings, transmission sites and leased lines	**782,734**	691,408
Impairment loss of financial investments	**23,381**	-
Impairment loss of trade receivables (note 11)	**16,474**	18,698
Impairment loss of inventories	**5,240**	69
Loss on disposal of fixed assets	**5,784**	16,051
Auditor's remuneration	**2,276**	1,702
Net exchange loss	**-**	277
Crediting:		
Net exchange gain	**1,570**	-

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the tax rates prevailing in the countries in which the Group operates.

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

	2012	2011
	$000	$000
Current income tax		
Hong Kong profits tax	**161,778**	944
Overseas tax	**9,786**	2,163
Under-provision in prior year tax charge		
Hong Kong profits tax	**149**	257
	171,713	3,364
Deferred income tax assets	**(3,670)**	3,673
Deferred income tax liabilities	**44,169**	129,032
Income tax expense	**212,212**	136,069

(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:

	2012	2011
	$000	$000
Profit before income tax	**1,252,907**	901,117
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2011: 16.5%)	**206,729**	148,684
Effect of different tax rates in other countries	**523**	(2,031)
Expenses not deductible for tax purposes	**300**	1,074
Income not subject to tax	**(3,991)**	(5,652)
Utilisation of previously unrecognised tax losses	**(1,670)**	(9,108)
Under-provision in prior year	**149**	257
Tax loss not recognised	**7**	-
Temporary differences not recognised	**10,165**	2,845
Income tax expense	**212,212**	136,069

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 on 6 April 2011.

	2012	2011
Profit attributable to equity holder of the Company ($000)	**1,022,880**	754,098
Weighted average number of ordinary shares in issue	**1,030,625,581**	1,032,919,204
Basic earnings per share (cents per share)	**99.2**	73.0

(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 on 6 April 2011. 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 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.

	2012	2011
Profit attributable to equity holders of the Company ($000)	**1,022,880**	754,098
Weighted average number of ordinary shares in issue	**1,030,625,581**	1,032,919,204
Adjustment for dilutive share options	**4,041,620**	3,411,513
Weighted average number of ordinary shares for diluted earnings per share	**1,034,667,201**	1,036,330,717
Diluted earnings per share (cents per share)	**98.9**	72.8

10 Dividends

	2012 **$000**	2011 $000
Interim dividend, paid, of 46 cents (2011: 31 cents) per share	**473,831**	318,023
Final dividend, proposed, of 53 cents (2011: 42 cents) per share	**549,462**	431,925
	1,023,293	749,948

For the dividends attributable to the year ended 30 June 2012, scrip dividend elections were offered to shareholders. No scrip dividend election was offered for the dividends attributable to the year ended 30 June 2011.

At a meeting held on 4 September 2012, the directors proposed a final dividend of 53 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 contributed surplus for the year ending 30 June 2013.

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 2012 and 2011 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:

	2012 **$000**	2011 $000
Current to 30 days	**300,119**	257,348
31 - 60 days	**13,834**	21,242
61 - 90 days	**8,977**	5,820
Over 90 days	**18,381**	8,791
	341,311	293,201

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 $16,474,000 (2011: $18,698,000) for the impairment of its trade receivables during the year ended 30 June 2012. 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:

	2012	2011
	$000	$000
Current to 30 days	**472,264**	508,422
31 - 60 days	**121,304**	162,253
61 - 90 days	**3,016**	12,564
Over 90 days	**18,949**	14,793
	615,533	698,032

13 Other contingent assets and liabilities

The Office of the Communications Authority ("OFCA") 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 principle when negotiating FMIC with the fixed network operators in Hong Kong ("FNOs").

Since 27 April 2009, the Group has issued invoices to the interconnecting FNOs and received invoices for FMIC from some interconnecting FNOs. All these invoices were in dispute since the commercial terms for interconnection had not been agreed.

As at 30 June 2011, the Group had contingent assets and liabilities in respect of FMIC of up to $284,828,000 and $196,979,000 respectively.

During the year ended 30 June 2012, the Group entered into agreements with FNOs, whereby the parties agreed to withdraw all the invoices issued to each other, and to adopt the "Bill and Keep" approach. Under this approach, each party agrees to provide fixed-mobile interconnection services at no charge. As a result, there are no contingent assets and liabilities in respect of FMIC as at 30 June 2012.

14 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. These reclassifications have no impact on the Group's total equity as at both 30 June 2012 and 30 June 2011, or on the Group's profit for the years ended 30 June 2012 and 2011.

DIVIDENDS

The Directors recommended the payment of a final dividend for the year ended 30 June 2012 of 53 cents per share (2010/11: 42 cents). The proposed final dividend, together with the interim dividend of 46 cents per share paid by the Company during the year (2010/11: 31 cents, adjusted for the 1:1 bonus issue in April 2011), makes a total dividend for the year of 99 cents per share.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). The Directors may, after having made enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in relation to the Scrip Dividend Scheme, exclude any shareholder outside Hong Kong from the Scrip Dividend Scheme provided that the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Such shareholders will receive the proposed final dividend in cash. A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Thursday, 22 November 2012.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the proposed final dividend at the forthcoming Annual General Meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The proposed final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Monday, 17 December 2012 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Friday, 16 November 2012.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 6 November 2012. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Friday, 2 November 2012 to Tuesday, 6 November 2012, 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 Thursday, 1 November 2012.

The record date for entitlement to the proposed final dividend is Friday, 16 November 2012. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 14 November 2012 to Friday, 16 November 2012, 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 Tuesday, 13 November 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the year ended 30 June 2012 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 2012. 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 2012, the Company has applied the principles and complied with the requirements set out in the "Code on Corporate Governance Practices" (revised and renamed as "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012) 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 Corporate Governance Code.

Full details of the report on corporate governance will be set out in the Company's 2011/12 Annual Report.

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

Hong Kong, 4 September 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Li Douglas and Mr. Chan Kai-lung, Patrick; Non-Executive Directors are Mr. Kwok Ping-luen, Raymond, Mr. Cheung Wing-yui, Mr. David Norman Prince, Mr. Yung Wing-chung, 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 and Mr. Gan Fock-kin, Eric.