

SmarTone Telecommunications Holdings Limited

Stock Code : 0315

INTERIM REPORT 2020/21



The Widest Coverage in HK

5G MAKE
US
SMART

Faster • Stabler • Smoother

ABOUT US

SmarTone Telecommunications Holdings Limited (0315.HK), listed in Hong Kong since 1996 and a subsidiary of Sun Hung Kai Properties Limited, is a leading telecommunications provider with operating subsidiaries in Hong Kong and Macau, offering voice, multimedia and mobile broadband services, as well as fixed fibre broadband services for both consumer and corporate markets. SmarTone spearheaded 5G development in Hong Kong since May 2020, with the launch of its territory-wide 5G services.

SmarTone is your smart partner that delivers a trusted and connected experience through our high-quality network, people-driven products and services combined with innovation, passion and understanding of customer needs.

SmarTone differentiates our content, excellent customer service, business and consumer products for all our Hong Kong customers, allowing them to live and feel smarter everyday. This strong presence is also backed by expert technical know-how, over 30 stores across Hong Kong, our 5 core brands and our innovative business strategies arm.

CONTENTS

About Us	
Business Highlights	2
Chairman's Statement	6
Management Discussion and Analysis	8
Directors Profile	11
Staff Engagement	20
Community Engagement	22
Report on Review of Interim Financial Information	24
Condensed Consolidated Profit and Loss Account	25
Condensed Consolidated Statement of Comprehensive Income	26
Condensed Consolidated Balance Sheet	27
Condensed Consolidated Statement of Cash Flows	29
Condensed Consolidated Statement of Changes in Equity	30
Notes to the Condensed Consolidated Interim	
Financial Statements	32
Other Information	48

BUSINESS HIGHLIGHTS

Spearhead 5G and Smart City development in Hong Kong

SmarTone provides nearly full 5G coverage in Hong Kong with the widest coverage* both indoors and outdoors, to bring a faster, stabler and smoother 5G experience. SmarTone 5G continues to launch new applications to bring infinite possibilities to daily life and business operations by incorporating different cutting-edge technologies.

1. Technology Leadership

SmarTone launched its world-class **5G service** with the city's widest network coverage* through Dynamic Spectrum Sharing (DSS) to spearhead Smart City development in Hong Kong.



Sun Hung Kai Properties (SHKP) and SmarTone collaborate to launch **5G Smart Malls**, optimising in-mall shopping experience and strengthening its operational efficiency.



SmarTone launched the **Home 5G Broadband** service, the first in the city that gives customers a hassle-free home internet experience. This service delivers 5G ultra-fast speed with an incredibly simple plug-and-play setup that allows for immediate service without any installation.



* Based on results obtained from SmarTone's road test conducted on 3 February 2021. The road test covers major roads including expressways, trunk roads, tunnels and bridges in Hong Kong. 5G coverage is defined as spot with received 5G radio signal level not weaker than -95dBm. The visual shown is for illustrating the coverage of our 5G network. Coverage may not be available in some locations.

BUSINESS HIGHLIGHTS

2. Empowering Innovation

SmarTone Solutions injected the latest technology with 5G into end-to-end enterprise solutions to drive the digital transformation of enterprises and development of Smart City.



SmarTone SOLUTIONS

SmarTransport Safety Monitoring System

SmartWorks



SmartHotel

SmarTone 5G Lab unleashes the possibilities of 5G applications in business and daily life, to encourage cross-industry collaboration and propel Hong Kong's emergence as a leading innovation hub.



BUSINESS HIGHLIGHTS

3. Customer-Centric Strategy

SmarTone was selected as the **“Best Preferred Mobile Service Operator for 5G”** in an independent market survey.¹ Utilising our powerful network, top quality services driven by innovation, intelligence and an all-round knowledge of consumer needs, we developed customised services and experiences and differentiate each segment for all customers.



With outstanding customer service and professional teamwork, we were awarded 9 accolades at the **2020 Service Talent Award** organised by the Hong Kong Retail Management Association.



A premium membership class has been discovering a world of prestige to customers, including birthday celebrations, selected offers, priority and privileges, refined experiences as well as flash surprises.



¹ Independent research by Nuanca Tree Research Company

BUSINESS HIGHLIGHTS

4. Digitalisation

Full digital brand **"Birdie"** continues to partner with major brands in the city, offering promotions that benefit our customers to elevate its young brand image and customer loyalty.



Award-winning website and online store to offer a customer-centric experience.



Chatbot continues to improve customer experience and enhance efficiency.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Business review

During the period under review, the business environment remained challenging. Pandemic-related travel restrictions continued to significantly impact the roaming business, previously a key earnings driver for the Company. Despite these difficulties, the Company reported a profit attributable to equity holders of \$267M, slightly up from \$265M during the same period last year. This was achieved through the implementation of a series of robust measures to improve revenues, reduce costs and enhance productivity.

Compared to the July to December 2019 period, which was not afflicted by COVID, current period's local service revenue was 3% higher against the prior six-month period. There were a number of growth drivers. First, the Company was able to both retain customers and increase their base-plan ARPU. Second, the launch of 5G has so far exceeded expectations, with close to 10% of MNO customers already taking up 5G subscriptions. Third, 5G Home Broadband has begun to ramp up, providing high-speed connectivity at a low cost, to customers who currently suffer from low-speed or very high service fees.

Over the last 6 months, in a rapid response to the challenge, the Company has launched a number of initiatives to reduce cost and improve productivity. These include a reduction in service fees (e.g. backhaul, cell-site rental, shop rentals), a streamlining of the organisation to enhance productivity, and various measures to improve network efficiency. Most of these initiatives bring recurring savings for the future, and none has a negative impact on network quality or the level of customer service. These savings have allowed us to redeploy resources to invest in future revenues streams.

SmarTone's goal is to direct new investments to provide the best 5G service in Hong Kong with the aim to be among the world's best infrastructures. This we are able to do efficiently because of the full support of our network partner Ericsson. As of today, the Company's 5G network provides nearly full coverage of Hong Kong and we continue to extend coverage to more remote areas, including country parks and hiking trails. We are pleased to have been selected as the "Best Preferred Mobile Service Operator for 5G" by a recent independent market survey.¹

The pandemic has opened up the willingness of many companies to adopt technology, and this has boosted SmarTone's Enterprise Solution business. Recently, the Company helped Route 3, a major highway in Hong Kong, to implement the first 5G "SmarTransport" safety monitoring system for the Tai Lam Tunnel. Taking advantage of the fast uplink of the 5G network, combined with AI analytics, the system allows for instant identification of intruders or animals within the tunnel area, triggering appropriate alerts and response. This removes the reliance on physical monitoring and brings added safety to drivers. In addition, in cooperation with Sun Hung Kai Properties, the Company also launched 5G "Smart Malls" applications in SHKP's shopping malls. In Phase one, this has included "Smart Restrooms" that allows customers to know the queuing time (if any) in advance. It also includes smart 5G robots that clean, inspect and trigger alerts if they spot any suspicious items in the mall. These applications have already been implemented in MOKO and Metroplaza and have achieved satisfactory results. SmarTone will extend the Smart Malls service to other mall operators and property managers. Enterprise solutions, especially using 5G, will clearly be an important growth driver going forward.

Dividend

The Board declared an interim dividend of 14.5 cents per share, the same as the interim dividend for 2019/2020. The Company's intention is to continue to pay a dividend equivalent to 75% of profit attributable to equity holders on a full-year basis.

¹ Independent research by Nuance Tree Research Company

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Outlook

We anticipate the operating environment will continue to be competitive and challenging. It is unlikely that roaming revenues will fully recover soon and the economic downturn will likely continue to impact customers' discretionary spending. However, with the roll-out of vaccination globally, roaming services will eventually come back. There is already a promising uptake of 5G amongst consumers, and we expect there will be new applications and opportunities for 5G in business. These developments will open new revenues streams that SmarTone will focus to capture.

Measured by the speed and depth of the 5G roll-out, Hong Kong probably ranks number three in the world, behind only China and Korea. Hong Kong is well ahead of Europe, the US and Singapore in 5G roll-out. We believe this is important for Hong Kong because 5G is the essential infrastructure for Hong Kong's drive to become a "smart city", and for its further integration with the Greater Bay. SmarTone is proud to play its part in building Hong Kong's digital infrastructure and helping Hong Kong to be a leading 5G-enabled city by investing in a world-class 5G network for Hong Kong. SmarTone is committed to further enhancing our 5G infrastructure, and bringing the best network to our customers.

Appreciation

I would like to take this opportunity to express my gratitude to our customers and shareholders for their continuing support, and to my fellow directors for their guidance. To our staff, I would like to thank them for their commitment and professionalism as well as their dedication and hardwork during this challenging period.

Kwok Ping-luen, Raymond

Chairman

Hong Kong, 23 February 2021

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

During the period under review, the Group profit attributable to equity holders increased slightly to \$267 million (first half of 2019/20: \$265 million). There was a substantial decline in roaming revenue as a result of travel restrictions from COVID-19 but it was offset by successful execution of cost reduction and productivity initiatives.

Group service revenue decreased by 10% to \$2,172 million (first half of 2019/20: \$2,412 million) mainly due to the significant decrease in roaming revenue. Mobile postpaid ARPU fell 13% to \$196 (first half of 2019/20: \$225). Compared with the second half of 2019/20, Group service revenue increased by \$4 million or 0.2%, mainly due to an increase in local service revenue which was partially offset by the decline in roaming revenue.

Group's handset and accessory sales fell by \$772 million or 42% to \$1,072 million when compared with \$1,845 million for the same period last year, mainly due to a delay in timing of 5G flagship phones launched in the market. Compared with the second half of 2019/20, Group's handset and accessory sales increased by \$510 million or 91% due to the availability of 5G flagship phones.

As a result, Group total revenue decreased by 24% to \$3,244 million (first half of 2019/20: \$4,257 million) mainly due to lower handset revenue and roaming revenue.

Hong Kong customer number grew 6% year-on-year to 2.8 million. Postpaid churn rate remained at industry low of 0.8% compared to the same period last year.

Cost of inventories sold fell by \$815 million or 44% to \$1,039 million (first half of 2019/20: \$1,854 million), largely in line with the corresponding decrease in handset and accessory sales with improved margins for handset sales.

Staff costs fell by \$131 million or 34% to \$250 million (first half of 2019/20: \$382 million) as a result of cost reduction and productivity initiatives.

Cost of services provided and other operating expenses fell by \$65 million or 9% to \$683 million (first half of 2019/20: \$748 million) primarily due to lower roaming costs, lower network maintenance expenses and a reduction in sales and marketing costs.

Depreciation, amortisation and loss on disposal fell by \$22 million or 2% to \$893 million (first half of 2019/20: \$915 million) mainly due to decrease in right-of-use assets depreciation driven by rental reduction offset by increase in amortisation of customer acquisition costs and spectrum utilisation fee amortisation.

Finance income decreased by \$21 million or 53% to \$19 million (first half of 2019/20: \$40 million) mainly due to lower bank interest rates.

Finance costs decreased by \$6 million or 9% to \$56 million (first half of 2019/20: \$62 million) mainly due to lower interest expenses on bank borrowings as the Group reduced its outstanding bank borrowings.

Income tax expense amounted to \$78 million (first half of 2019/20: \$78 million), reflecting an effective tax rate of 22.7% (first half of 2019/20: 23.1%). In light of the uncertainty of the tax deductibility of the spectrum utilisation fees, certain payments have been treated as non-deductible, which contributes to the Group effective tax rate higher than 16.5%. The Group will continue to vigorously defend its position and pursue tax deduction of the spectrum utilisation fees from the Inland Revenue Department.

Group EBITDA slightly decreased by \$1 million to \$1,273 million (first half of 2019/20: \$1,274 million). Group operating profit was \$380 million, increased by 6% (first half of 2019/20: \$359 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

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 2020, the Group recorded share capital of \$111 million, total equity of \$5,077 million and total borrowings of \$1,649 million.

The Group's cash resources remained robust with cash and bank balances of \$1,765 million as at 31 December 2020 (30 June 2020: \$2,251 million).

As at 31 December 2020, the Group had bank and other borrowings of \$1,649 million (30 June 2020: \$1,802 million) of which 96% were denominated in United States dollars and were arranged on a fixed rate basis. The Group was in a net cash position with net cash, including financial assets at amortised cost, amounted to \$630 million as at 31 December 2020 (30 June 2020: \$604 million).

The Group had net cash generated from operating activities and interest received of \$1,191 million and \$18 million respectively during the period ended 31 December 2020. The Group's major outflows of funds during the period were payments for purchase of fixed assets, payment for purchase of financial assets at amortised cost, payments for leases, payment for dividends, mobile licence fees and repayment of bank borrowings.

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 2021 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 financial assets at amortised cost. Bank deposits and financial assets at amortised cost 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

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 \$72 million as at 31 December 2020 (30 June 2020: \$73 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 4% of the Group's total borrowings at 31 December 2020. The remaining 96% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential increase in interest rates in the future. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, financial asset at fair value through other comprehensive income, financial assets at amortised cost, trade payables and bank and other borrowings denominated in United States dollars. The Group does not currently undertake any foreign exchange hedging.

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Contingent liabilities

As at 31 December 2020, the Group provided performance and financial guarantees of \$2,749 million (30 June 2020: \$3,121 million).

Employees, share award scheme and share option scheme

The Group had 1,865 full-time employees as at 31 December 2020 (30 June 2020: 1,898), with the majority of them based in Hong Kong. Total staff costs were \$250 million for the period ended 31 December 2020 (first half of 2019/20: \$382 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.

A share award scheme was adopted by the Group as an incentive arrangement to recognise the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. During the period under review, 80,300 shares were vested and 306,950 shares were lapsed. 3,037,090 shares (30 June 2020: 3,424,340) were outstanding as at 31 December 2020.

The Group has 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 period under review, 3,000,000 share options were lapsed. No share option was outstanding as at 31 December 2020 (30 June 2020: 3,000,000).

DIRECTORS PROFILE

KWOK Ping-luen, Raymond *Chairman & Non-Executive Director*

Mr. Raymond Kwok has been with the Group since April 1992 and was appointed Director of the Company in October 1996. He holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

Mr. Kwok is the chairman and managing director of Sun Hung Kai Properties Limited ("SHKP"). He is also a director of Cellular 8 Holdings Limited ("Cellular 8") and TFS Development Company Limited ("TFS"). SHKP, Cellular 8 and TFS are the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is also the chairman and an executive director of SUNeVision Holdings Ltd., and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the Council of The Chinese University of Hong Kong.

Mr. Kwok is also a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2020, Mr. Kwok received a fee of HK\$180,000. Except the above fee, Mr. Kwok did not receive any other emoluments during the said financial year.

CHEUNG Wing-yui *Deputy Chairman & Non-Executive Director*

Mr. Cheung Wing-yui was appointed Director of the Company in March 2003. Mr. Cheung received a Bachelor of Commerce degree in accountancy from The University of New South Wales, Australia and is a member of the CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. Mr. Cheung was also admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

Mr. Cheung is a vice chairman and a non-executive director of SUNeVision Holdings Ltd. He is also a non-executive director of Tai Sang Land Development Limited, Tianjin Development Holdings Limited and Transport International Holdings Limited. Mr. Cheung was an independent non-executive director of Hop Hing Group Holdings Limited and Agile Group Holdings Limited. He is a non-executive director of Sun Hung Kai Properties Insurance Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited.

Mr. Cheung is currently a member of Sponsorship & Development Fund Committee and a court member of The Open University of Hong Kong and an honorary council member of The Hong Kong Institute of Directors Limited. He had held the positions of deputy chairman of the council of The Open University of Hong Kong, director of The Community Chest of Hong Kong, the deputy chairman of The Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong and a member of the Board of Review (Inland Revenue Ordinance).

Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013.

Mr. Cheung was awarded an honorary degree of Doctor of Business Administration from The Open University of Hong Kong in 2016.

For the financial year ended 30 June 2020, Mr. Cheung received a fee of HK\$162,000. Except the above fee, Mr. Cheung did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

FUNG Yuk-lun, Allen *Deputy Chairman & Executive Director*

Mr. Allen Fung has been a Non-Executive Director of the Company since December 2013. He was re-designated as an Executive Director of the Company with effect from 17 August 2020. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993 to 1994 and a visiting Assistant Professor of History at Brown University in 1996 to 1997. From 1997 to 2013, Mr. Fung worked in McKinsey & Company (“McKinsey”), a global management consulting company. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally.

Mr. Fung is an executive director and a member of the executive committee of Sun Hung Kai Properties Limited (“SHKP”), as well as the chief executive officer of the SHKP group’s non-property related portfolio investments. He is also a director of certain subsidiaries of SHKP. Mr. Fung is a vice chairman and an executive director of SUNeVision Holdings Ltd., and a non-executive director of Transport International Holdings Limited. Mr. Fung was a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the president of the Hong Kong Society for the Protection of Children, an honorary secretary of The Hong Kong Federation of Youth Groups, and a council member and an executive committee member of The Hong Kong Management Association. He is also a council member of Sir Edward Youde Memorial Fund, a member of the board of the Asian Youth Orchestra, and a member of the board of the Hong Kong Philharmonic Society Limited. Mr. Fung is a board member of the Hong Kong Tourism Board, and a member of the Museum Advisory Committee of the Leisure and Cultural Services Department of the Government of the Hong Kong Special Administrative Region.

Mr. Fung is also a member of the Remuneration Committee of the Company. He was appointed director of certain subsidiaries of the Company with effect from 17 August 2020.

For the financial year ended 30 June 2020, Mr. Fung received a fee of HK\$162,000. Except the above fee, Mr. Fung did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

CHAU Kam-kun, Stephen *Executive Director*

Mr. Stephen Chau was appointed Executive Director of the Company in April 2015. He has been with the Company since 1993. He joined the Company as Head of Operations and was made Chief Technology Officer since 1999. He has been responsible for the Company's information and communications technology strategy, roadmap and deployment; he has also led the Company in a number of commercial initiatives.

Mr. Chau's leadership has shaped the Company's technological innovations, impacting all areas of business operations and establishing sustainable competitive advantages. He is responsible for the Company's high performance network, which is widely recognised for its superior voice and data experience. He is the architect of the Company's advanced service platform which enables its many proprietary services, offering differentiation in the marketplace and real value to customers. Mr. Chau also oversees the evolution of the Company's industry leading customer management and support systems enabling frontline staff to provide award-winning customer care.

Mr. Chau has held various senior management positions in telecommunications companies. He is a member of The Institution of Engineering and Technology (IET), UK and a Chartered Engineer of the Institute of Electrical Engineers, UK.

Mr. Chau is a Board Director of the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and a member of its Technology Review Panel. He is a member of the Executive Committee of the Communications Association of Hong Kong (CAHK).

Mr. Chau is also a member of the Advisory Committee of the Department of Electronic Engineering of The Chinese University of Hong Kong, the Departmental Advisory Committee of the Department of Electrical and Electronic Engineering of The University of Hong Kong and the Departmental Advisory Committee of the Department of Electronic Engineering of City University of Hong Kong.

Mr. Chau is a director of certain subsidiaries of the Company.

For the financial year ended 30 June 2020, Mr. Chau received salaries (including allowances, retirement scheme contributions and estimated money value of other benefits), bonus, share-based payment and director's fee of HK\$6,664,000, HK\$944,000, HK\$480,000 and HK\$144,000 respectively.

DIRECTORS PROFILE

David Norman PRINCE *Non-Executive Director*

Mr. David Prince was appointed Director of the Company in July 2005. Mr. Prince has over 20 years' experience of operating at board level in an international environment. Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK). He is a non-executive director of SUNeVision Holdings Ltd. He is also a director of Wilson Group Limited and a consultant of Sun Hung Kai Real Estate Agency Limited, both are wholly-owned subsidiaries of Sun Hung Kai Properties Limited.

Mr. Prince is currently a non-executive director and a member of the audit committee and the governance and nomination committee of Adecco SA which is the global leader in human resources services.

Mr. Prince was group finance director of Cable and Wireless plc. until December 2003 and prior to this, spent some 12 years working in the telecommunications industry in Hong Kong, Mainland China and Asia. From 1994 to 2000 he was finance director and latterly deputy chief executive officer of Hong Kong Telecommunications Limited until it was acquired by PCCW in 2000. He went on to join PCCW plc. as group chief financial officer. In 2002, he left PCCW to join Cable and Wireless as group finance director. Prior to his time in Hong Kong he held senior management roles for Cable and Wireless. His early career was spent in the gas, oil and electronic industries within Europe and the USA.

Mr. Prince is also a member of the Nomination Committee of the Company.

For the financial year ended 30 June 2020, Mr. Prince received a fee of HK\$144,000. Except the above fee, Mr. Prince did not receive any other emoluments during the said financial year.

SIU Hon-wah, Thomas *Non-Executive Director*

Mr. Thomas Siu was appointed Director of the Company in July 2008. Mr. Siu was the managing director of Wilson Group, which is a major transport infrastructure services provider in Hong Kong and is wholly-owned by Sun Hung Kai Properties Limited, and is currently a consultant of Wilson Group. Prior to joining Wilson Group, Mr. Siu had more than 25 years of experience in telecommunications and IT sectors. His experience covers finance, business operations and development. Mr. Siu is also a non-executive director of SUNeVision Holdings Ltd.

Mr. Siu holds a MPhil degree from the University of Cambridge and a PhD degree in Information Systems. He is a Certified Public Accountant and is a member of the British Computer Society.

For the financial year ended 30 June 2020, Mr. Siu received a fee of HK\$144,000. Except the above fee, Mr. Siu did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

John Anthony MILLER *Non-Executive Director*

Mr. John Anthony Miller, SBS, OBE, was appointed Director of the Company in November 2010.

Mr. Miller is currently an independent non-executive director of Autotoll Limited, a company 50%-owned by Sun Hung Kai Properties Limited.

Mr. Miller was previously a non-executive director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and RoadShow Holdings Limited (now known as Bison Finance Group Limited). He was also chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited.

Mr. Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organisation in Geneva. Key positions held over a career spanning 35 years prior to Mr. Miller's retirement include Permanent Secretary for Financial Services and the Treasury (2002–2004), Director of Housing and Chief Executive of the Housing Authority (1996–2002), Director-General of Trade (1993–1996), Director of Marine (1991–1993), Information Coordinator in the Chief Secretary's Office (1989–1991) and Private Secretary to the Governor (1979–1982). Mr. Miller holds an MPA degree from Harvard University and a BA degree from London University.

For the financial year ended 30 June 2020, Mr. Miller received a fee of HK\$144,000. Except the above fee, Mr. Miller did not receive any other emoluments during the said financial year.

LI Ka-cheung, Eric, JP *Independent Non-Executive Director*

Dr. Eric Li, GBS, OBE, JP, LLD, DSocSc., HonDSocSc (EdUHK), B.A., FCPA (Practising), FCA, FCPA (Aust.), was appointed Director of the Company in October 1996. Dr. Li was the senior partner of Li, Tang, Chen & Co., Certified Public Accountants ("LTC"). Following the merger of LTC with SHINEWING (HK) CPA Limited ("SWHK"), Dr. Li has become honorary chairman of SWHK with effect from 1 January 2020.

Dr. Li is an independent non-executive director of Sun Hung Kai Properties Limited, Transport International Holdings Limited, Wong's International Holdings Limited, Hang Seng Bank Limited and China Resources Beer (Holdings) Company Limited.

Dr. Li was an independent non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited).

Dr. Li is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He was a former member of the Legislative Council of Hong Kong and chairman of its Public Accounts Committee, a past president of the Hong Kong Institute of Certified Public Accountants and a former convenor-cum-member of the Financial Reporting Review Panel.

Dr. Li is also chairman of the Remuneration Committee and the Audit Committee of the Company.

For the financial year ended 30 June 2020, Dr. Li received a fee of HK\$288,000 including the fee for acting as the chairman of the Audit Committee of the Company. Except the above fee, Dr. Li did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

NG Leung-sing, JP *Independent Non-Executive Director*

Mr. Ng Leung-sing was appointed Director of the Company in June 1997. Mr. Ng is chairman of Bank of China (Hong Kong) Trustees Limited and a director of BOCHK Charitable Foundation. He has been an independent non-executive director of Nine Dragons Paper (Holdings) Limited (since March 2013), Hanhua Financial Holding Co., Ltd. (since June 2013) and Grand Brilliance Group Holdings Limited (since 1 March 2018).

Mr. Ng is a Hong Kong Deputy to the 10th, 11th, 12th and 13th National People's Congress, P.R.C.

Mr. Ng was a director of The Hong Kong Mortgage Corporation Limited (until April 2018), vice-chairman of Chiyu Banking Corporation Limited (until March 2017), independent non-executive director of MTR Corporation Limited (until May 2017), general manager of the Bank-wide Operation Department of Bank of China (Hong Kong) Limited from 2005 to 2009, and executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was also the Chinese Representative of the Sino-British Land Commission and the trustee of the Hong Kong Government Land Fund from 1988 to 1997, a member of the Corporate Contribution Programme Organisation Committee of The Community Chest of Hong Kong from 1992 to 1996, a member of the Legislative Council of Hong Kong from 1996 to 2004 and from 2012 to 2016, a member of the Hong Kong Housing Authority from 1996 to 2004, a member of the Court of Lingnan University from 1999 to 2011, a member of the managing board of the Kowloon-Canton Railway Corporation from 2004 to 2007, and a member of the board of management of the Chinese Permanent Cemeteries from 2009 to 2015.

Mr. Ng was appointed as the Justice of the Peace in 2001, and was awarded the Silver Bauhinia Star by the HKSAR government in 2004.

Mr. Ng is also a member of the Remuneration Committee, the Nomination Committee and the Audit Committee of the Company.

For the financial year ended 30 June 2020, Mr. Ng received a fee of HK\$288,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Ng did not receive any other emoluments during the said financial year.

GAN Fock-kin, Eric *Independent Non-Executive Director*

Mr. Eric Gan was appointed Director of the Company in December 2005. Mr. Gan is founder and president of eAccess Ltd., the fourth mobile operator (EMOBILE brand) in Japan which become a wholly-owned subsidiary of SoftBank Corp in 2013. Mr. Gan is currently an executive vice president of Softbank Corp.

Prior to the establishment of eAccess, Mr. Gan worked as a telecom analyst and managing director for Goldman Sachs Japan when he was involved in many telecommunication financing deals in Japan/Asia, including the listing of SmarTone, NTT DoCoMo (one of the world's largest IPOs), NTT equity tranches and many other telecom related IPO and advisory projects.

Mr. Gan was born in Hong Kong and graduated from Imperial College, University of London. Mr. Gan now lives in Japan (since 1990).

Mr. Gan is also chairman of the Nomination Committee and a member of the Audit Committee of the Company.

For the financial year ended 30 June 2020, Mr. Gan received a fee of HK\$288,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Gan did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

IP YEUNG See-ming, Christine *Independent Non-Executive Director*

Mrs. Christine Ip was appointed Director of the Company in November 2012. Mrs. Ip joined United Overseas Bank Limited (“UOB”) in 2011. She is a Managing Director responsible for developing the Bank’s Greater China strategy. Mrs. Ip was appointed CEO of UOB Hong Kong in 2012 and CEO Greater China in July 2016.

Mrs. Ip is a seasoned banker with more than 30 years of experience in both Consumer and Corporate Banking, and she has significant experience in China. Prior to joining UOB, Mrs. Ip has held a range of senior management positions in product and sales management, customer segment management and risk management in Hong Kong, the United States, Canada, Singapore and China with Australia and New Zealand Bank, Standard Chartered Bank and HSBC.

Mrs. Ip’s achievements have brought her the Asia Retail Congress award for “Best International Retail Banker” in 2008.

Mrs. Ip holds a Bachelor’s degree in Arts from The University of Hong Kong and a MBA degree from The Hong Kong University of Science and Technology.

Mrs Ip was appointed as member of the following committees by various HKSAR government departments:

- Museum Advisory Committee since October 2016
- Travel Industry Compensation Fund Management Board since October 2017
- Environment and Conservation Fund Investment Committee since October 2018
- Council of The Hong Kong Academy for Performing Arts since January 2020

For the financial year ended 30 June 2020, Mrs. Ip received a fee of HK\$144,000. Except the above fee, Mrs. Ip did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

LAM Kwok-fung, Kenny *Independent Non-Executive Director*

Mr. Kenny Lam was appointed Director of the Company in March 2017.

Mr. Lam is currently chief executive officer of Two Sigma Asia Pacific, Limited and head of the Asia Pacific region of Two Sigma. Mr. Lam is also an independent director of Bank of East Asia (China) Limited.

Mr. Lam was group president of Noah Holdings Limited (Listed on the New York Stock Exchange) until March 2019. Prior to Noah, Mr. Lam was a global partner at McKinsey & Company based in Hong Kong, a co-Leader of the firm's Asia Financial Institutions Practice, and head of its Asia Private Banking and Asset Management Practice. Before McKinsey, Mr. Lam was with American law firm Shearman & Sterling in New York and Hong Kong.

Mr. Lam is a member of the Asia Business Leaders Advisory Council for the Government of Canada (under the Asia Pacific Foundation), and a member of the Executive Board for Asia of the Wharton School of the University of Pennsylvania.

Mr. Lam graduated with a MA (Honours) in Law from Oxford University and magna cum laude with a BS in Finance from the Wharton School of the University of Pennsylvania, where he was a Joseph Wharton Scholar and a Benjamin Franklin Scholar.

For the financial year ended 30 June 2020, Mr. Lam received a fee of HK\$144,000. Except the above fee, Mr. Lam did not receive any other emoluments during the said financial year.

DIRECTORS PROFILE

Notes:

Saved as disclosed in the Directors' respective biographical details under this section, the Directors (1) have not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) do not hold any other positions in the Company and its subsidiaries; and (3) do not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contracts have been signed between the Company and the Directors (except Mr. Chau Kam-kun, Stephen) and there is no fixed term of their service with the Company. Their appointments are subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. They are entitled to directors' fees which are determined by the Board under the authority granted by shareholders at annual general meetings. The fees are subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

There is an employment contract entered into between Mr. Chau Kam-kun, Stephen, Executive Director, and a subsidiary of the Company for his serving as the Company's Chief Technology Officer. As the Chief Technology Officer, Mr. Chau is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to a discretionary bonus, the computation of which is based on his performance and profitability of the Group. Mr. Chau has no fixed term of service with the Company for acting as a director of the Company. Mr. Chau's appointment as a director of the Company is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Chau is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Directors' interests in shares of the Company or any of its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance as at 31 December 2020 are disclosed in the "Directors' and chief executive's interests" section on pages 48 to 51 of this Interim Report.

STAFF ENGAGEMENT

Together We Nurture

SmarTone understands that people are the most valuable assets to the company. We communicate with them, empower them with training and career development opportunities as well as recognise their performance. We also encourage work-life balance through a variety of activities.

1. Grooming Talents

Introduce diversified opportunities for **people development**, including cross-sector exchanges for frontline service staff, influencing skills training as well as lunch & learn sessions.



STAFF ENGAGEMENT

2. Caring For Staff

Promotes **work-life balance** to establish a fun and relaxing workplace with festive delights and Happy Friday staff engagement activities.



COMMUNITY ENGAGEMENT

Empowering Our Future

SmarTone is dedicated to corporate social responsibility and is actively engaged in a wide range of social service activities to contribute to the community. SmarTone Volunteer Team was also formed to encourage our staff to give back to the society.

1. Caring For The Community

Giving care and warmth to those in need in the community where we serve, making our business more meaningful, especially during the pandemic.



"Be a Smartizen" is the new initiative of SmarTone to promote digital intelligence. Through the "Be a Smartizen" Programme, we aspire every citizen in Hong Kong to be a smart netizen.



COMMUNITY ENGAGEMENT

2. Supporting Charities

With our valuable assets, staff and powerful network, we rendered full support to *charity events* in town.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 47, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2020 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2021

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	Unaudited six months ended 31 December	
		2020 \$000	2019 \$000
Service revenue and other related service Handset and accessory sales		2,172,158 1,072,155	2,411,972 1,844,634
Revenues	4	3,244,313	4,256,606
Cost of inventories sold		(1,038,545)	(1,853,515)
Cost of services provided		(200,280)	(224,947)
Staff costs		(250,462)	(381,561)
Other operating expenses	7	(482,375)	(522,730)
Depreciation, amortisation and loss on disposal	7	(892,636)	(915,026)
Operating profit		380,015	358,827
Finance income	5	18,789	39,780
Finance costs	6	(56,377)	(61,950)
Profit before income tax	7	342,427	336,657
Income tax expense	8	(77,586)	(77,823)
Profit after income tax		264,841	258,834
Attributable to Equity holders of the Company		266,596	265,467
Non-controlling interests		(1,755)	(6,633)
		264,841	258,834
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	10		
Basic		23.8	23.7
Diluted		23.8	23.7

The above condensed consolidated profit and loss account should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2020
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2020	2019
	\$000	\$000
Profit for the period	264,841	258,834
Other comprehensive gain/(loss)		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	2,765	(1,730)
Item that will not be reclassified subsequently to profit and loss:		
Fair value gain on financial asset at fair value through other comprehensive income	5,874	233
Other comprehensive gain/(loss) for the period	8,639	(1,497)
Total comprehensive income for the period	273,480	257,337
Total comprehensive income attributable to		
Equity holders of the Company	275,235	263,970
Non-controlling interests	(1,755)	(6,633)
	273,480	257,337

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2020 and 30 June 2020
(Expressed in Hong Kong dollars)

		Unaudited 31 December 2020 \$000	Audited 30 June 2020 \$000
	Notes		
Non-current assets			
Fixed assets	12	2,656,432	2,704,484
Customer acquisition costs		80,453	77,706
Contract assets		99,923	139,859
Right-of-use assets		1,011,219	945,204
Interest in an associate		3	3
Financial asset at fair value through other comprehensive income		10,225	4,351
Financial assets at amortised cost		449,058	–
Intangible assets	13	2,716,422	2,872,560
Deposits and prepayments	14	217,382	123,932
Deferred income tax assets		8,649	4,141
Total non-current assets		7,249,766	6,872,240
Current assets			
Inventories		111,154	59,645
Financial assets at amortised cost		65,484	155,560
Contract assets		156,540	185,974
Trade receivables	14	369,545	360,682
Deposits and prepayments	14	207,944	247,602
Other receivables	14	53,007	47,588
Tax reserve certificate		252,362	252,362
Short-term bank deposits		–	123,316
Cash and cash equivalents		1,764,598	2,127,409
Total current assets		2,980,634	3,560,138
Current liabilities			
Trade payables	15	475,989	451,790
Other payables and accruals		671,283	768,923
Contract liabilities		274,771	280,899
Lease liabilities		593,862	631,004
Current income tax liabilities		423,673	466,185
Bank borrowings	16	115,516	130,885
Customer prepayments and deposits		46,766	58,445
Mobile licence fee liabilities		61,413	85,924
Total current liabilities		2,663,273	2,874,055

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2020 and 30 June 2020
(Expressed in Hong Kong dollars)

		Unaudited 31 December 2020 \$000	Audited 30 June 2020 \$000
	Notes		
Non-current liabilities			
Customer prepayments and deposits		13,861	8,952
Asset retirement obligations		61,007	49,938
Contract liabilities		15,634	–
Lease liabilities		420,379	331,540
Bank and other borrowings	16	1,533,800	1,671,419
Mobile licence fee liabilities		331,583	369,769
Deferred income tax liabilities		113,648	113,580
Total non-current liabilities		2,489,912	2,545,198
Net assets		5,077,215	5,013,125
Capital and reserves			
Share capital	17	111,341	112,227
Reserves		4,987,511	4,920,780
Total equity attributable to equity holders of the Company		5,098,852	5,033,007
Non-controlling interests		(21,637)	(19,882)
Total equity		5,077,215	5,013,125

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020
(Expressed in Hong Kong dollars)

	Unaudited six months ended	
	31 December	
	2020	2019
	\$000	\$000
Cash flows from operating activities	1,315,950	827,840
Income tax paid	(124,556)	(1,190)
Net cash inflow from operating activities	1,191,394	826,650
Cash flows from investing activities		
Payment for purchase of fixed assets	(534,635)	(374,043)
Payment for mobile licence fees	(71,441)	(71,219)
Decrease in short-term deposits	123,316	173,304
Proceeds from disposal of financial assets at amortised cost	155,046	47,001
Payment for purchase of financial assets at amortised cost	(506,593)	–
Other investing activities	17,924	54,474
Net cash outflow from investing activities	(816,383)	(170,483)
Cash flows from financing activities		
Payment for repurchase of shares	(42,405)	(21,522)
Purchase of shares for share award scheme	(4,427)	–
Repayment of bank borrowings	(156,337)	(67,043)
Principal elements of lease payments	(367,060)	(400,993)
Dividends paid to the Company's equity holders	(167,880)	(229,894)
Net cash outflow from financing activities	(738,109)	(719,452)
Net decrease in cash and cash equivalents	(363,098)	(63,285)
Effect of foreign exchange rate change	287	1,845
Cash and cash equivalents at 1 July	2,127,409	1,955,987
Cash and cash equivalents at 31 December	1,764,598	1,894,547

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020
(Expressed in Hong Kong dollars)

	Unaudited										
	Attributable to equity holders of the Company										Total \$000
	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Exchange reserve \$000	Retained profits \$000	Total \$000	Non- controlling interests \$000	
At 1 July 2019	112,453	1,632,371	2,662	15,449	(8,296)	18,720	(1,987)	3,285,791	5,057,163	19,486	5,076,649
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	265,467	265,467	(6,633)	258,834
Other comprehensive loss											
Fair value gain on financial asset at fair value through other comprehensive income	-	-	233	-	-	-	-	-	233	-	233
Currency translation differences	-	-	-	-	-	-	(1,730)	-	(1,730)	-	(1,730)
Total comprehensive income for the period ended 31 December 2019	-	-	233	-	-	-	(1,730)	265,467	263,970	(6,633)	257,337
Transactions with owners											
Share-based payments	-	-	-	-	-	6,341	-	-	6,341	-	6,341
Lapse of share award	-	-	-	-	250	(250)	-	-	-	-	-
Vesting of share award	-	-	-	-	4,320	(3,874)	-	(446)	-	-	-
Repurchase of shares	(369)	-	-	369	-	-	-	(21,522)	(21,522)	-	(21,522)
Payment of 2019 final dividend	83	5,401	-	-	-	-	-	(235,378)	(229,894)	-	(229,894)
Total transactions with owners	(286)	5,401	-	369	4,570	2,217	-	(257,346)	(245,075)	-	(245,075)
At 31 December 2019	112,167	1,637,772	2,895	15,818	(3,726)	20,937	(3,717)	3,293,912	5,076,058	12,853	5,088,911

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020
(Expressed in Hong Kong dollars)

	Unaudited										
	Attributable to equity holders of the Company										
	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Exchange reserve \$000	Retained profits \$000	Total \$000	Non- controlling interests \$000	Total \$000
At 1 July 2020	112,227	1,640,986	2,453	15,818	997	18,340	(4,073)	3,246,259	5,033,007	(19,882)	5,013,125
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	266,596	266,596	(1,755)	264,841
Other comprehensive gain											
Fair value gain on financial asset at fair value through other comprehensive income	-	-	5,874	-	-	-	-	-	5,874	-	5,874
Currency translation differences	-	-	-	-	-	-	2,765	-	2,765	-	2,765
Total comprehensive income for the period ended 31 December 2020	-	-	5,874	-	-	-	2,765	266,596	275,235	(1,755)	273,480
Transactions with owners											
Share-based payments	-	-	-	-	-	5,322	-	-	5,322	-	5,322
Lapse of share option	-	-	-	-	-	(7,530)	-	7,530	-	-	-
Lapse of share award	-	-	-	-	-	(1,494)	-	1,494	-	-	-
Vesting of share award	-	-	-	-	356	(652)	-	296	-	-	-
Repurchase of shares (note 17(a))	(886)	-	-	886	-	-	-	(42,405)	(42,405)	-	(42,405)
Purchase of shares for share award scheme	-	-	-	-	(4,427)	-	-	-	(4,427)	-	(4,427)
Payment of 2020 final dividend	-	-	-	-	-	-	-	(167,880)	(167,880)	-	(167,880)
Total transactions with owners	(886)	-	-	886	(4,071)	(4,354)	-	(200,965)	(209,390)	-	(209,390)
At 31 December 2020	111,341	1,640,986	8,327	16,704	(3,074)	13,986	(1,308)	3,311,890	5,098,852	(21,637)	5,077,215

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 (the “SEHK”).

These unaudited condensed consolidated interim financial statements (“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 23 February 2021.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). These Interim Financial Statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income, measured at fair value, and on a going concern basis.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2020, as described in those annual financial statements except for the adoption of the amendments to standards as set out below.

(a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting commencing 1 July 2020.

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Basis of preparation *(continued)*

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

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning 1 July 2020 and have not been early adopted.

Annual Improvements Project	Annual Improvements 2018–2020 Cycle ¹
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ²
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use ¹
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract ¹
HKFRS 3 (Amendments)	Reference to the Conceptual Framework ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 17	Insurance Contracts ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ The original effective date of 1 January 2016 has been postponed until further announcement.

3 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2020.

There have been no changes in any risk management policies since year end.

(b) Fair value estimation

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management and financial instruments *(continued)*

(b) Fair value estimation *(continued)*

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2020 and 30 June 2020.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Assets				
Financial asset at fair value through other comprehensive income				
At 31 December 2020 (Unaudited)	–	10,225	–	10,225
At 30 June 2020 (Audited)	–	4,351	–	4,351

There were no transfers between level 1 and level 2 and no changes in valuation techniques during the period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The financial asset at fair value through other comprehensive income is stated at fair value based on the net asset value per unit of the respective funds as determined by the managers of the relevant funds.

All of the resulting fair value estimates are included in level 2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 examines the Group's performance from a geographic perspective based on the location in which the sale originated. 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 segments is set out as follows:

(a) Segment results

	Unaudited six months ended 31 December 2020			
	Hong Kong \$000	Macau \$000	Elimination \$000	Consolidated \$000
External revenue	3,168,386	75,927	–	3,244,313
Inter-segment revenue	37,446	2,717	(40,163)	–
Total revenue	3,205,832	78,644	(40,163)	3,244,313
Timing of revenue recognition				
At a point in time	1,070,440	38,561	(36,846)	1,072,155
Over time	2,135,392	40,083	(3,317)	2,172,158
	3,205,832	78,644	(40,163)	3,244,313
EBITDA	1,275,556	(2,905)	–	1,272,651
Depreciation, amortisation and loss on disposal	(890,293)	(2,344)	1	(892,636)
Operating profit/(loss)	385,263	(5,249)	1	380,015
Finance income				18,789
Finance costs				(56,377)
Profit before income tax				342,427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Segment reporting *(continued)*

(a) Segment results *(continued)*

	Unaudited six months ended 31 December 2019			
	Hong Kong \$000	Macau \$000	Elimination \$000	Consolidated \$000
External revenue	4,110,086	146,520	–	4,256,606
Inter-segment revenue	95,901	2,841	(98,742)	–
Total revenue	4,205,987	149,361	(98,742)	4,256,606
Timing of revenue recognition				
At a point in time	1,843,658	95,954	(94,978)	1,844,634
Over time	2,362,329	53,407	(3,764)	2,411,972
	4,205,987	149,361	(98,742)	4,256,606
EBITDA	1,274,026	(173)	–	1,273,853
Depreciation, amortisation and loss on disposal	(892,551)	(22,479)	4	(915,026)
Operating profit/(loss)	381,475	(22,652)	4	358,827
Finance income				39,780
Finance costs				(61,950)
Profit before income tax				336,657

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Segment reporting *(continued)* (b) Segment assets/(liabilities)

	At 31 December 2020 (Unaudited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$000
Segment assets	9,337,651	106,968	785,781	10,230,400
Segment liabilities	(4,495,472)	(120,392)	(537,321)	(5,153,185)
	At 30 June 2020 (Audited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$000
Segment assets	9,903,860	112,101	416,417	10,432,378
Segment liabilities	(4,719,152)	(120,336)	(579,765)	(5,419,253)

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 2020 \$000	2019 \$000
Interest income from listed debt securities	10,437	9,522
Interest income from bank deposits	7,868	28,839
Accretion income	484	1,419
	18,789	39,780

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Finance costs

	Unaudited six months ended 31 December	
	2020	2019
	\$000	\$000
Interest expense on bank and other borrowings	33,751	41,905
Bank charges for credit card instalment	–	618
Accretion expenses		
Mobile licence fee liabilities	8,744	7,135
Asset retirement obligations	224	920
Lease liabilities	13,450	17,456
Net exchange loss/(gain) on financing activities (note 9)	208	(6,084)
	56,377	61,950

Accretion expenses represent changes in the mobile licence fee liabilities, asset retirement obligations and lease liabilities 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/(crediting) the following:

	Unaudited six months ended 31 December	
	2020	2019
	\$000	\$000
Other operating expenses		
– Network costs	273,669	299,844
– Short-term and low-value leases	19,105	15,389
– Impairment loss of trade receivables (note 14)	4,877	6,683
– Net exchange loss/(gain) (note 9)	2,434	(1,598)
– Others	182,290	202,412
Loss on disposal of fixed assets	4,550	4,421
Depreciation of fixed assets	331,094	342,954
Depreciation of right-of-use assets	365,704	394,811
Amortisation of mobile licence fees	156,138	142,735
Amortisation of customer acquisition costs	35,150	30,105
Share-based payments	5,322	6,341

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Income tax expense

	Unaudited six months ended	
	31 December	
	2020	2019
	\$000	\$000
Current income tax		
Hong Kong profits tax	68,321	72,890
Overseas tax	931	720
Under-provision in prior years		
Hong Kong profits tax	12,774	535
Total current income tax expense	82,026	74,145
Deferred income tax		
(Increase)/decrease in deferred income tax assets	(4,508)	249
Increase in deferred income tax liabilities	68	3,429
Total deferred income tax expense	(4,440)	3,678
Income tax expense	77,586	77,823

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 Net exchange loss/(gain)

The exchange differences charged/(credited) to the condensed consolidated profit and loss account are included as follows:

	Unaudited six months ended	
	31 December	
	2020	2019
	\$000	\$000
Other operating expenses (note 7)	2,434	(1,598)
Finance costs (note 6)	208	(6,084)
Total	2,642	(7,682)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Earnings per share

(a) Basic earnings per share

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 outstanding during the period and excluding shares held for share award scheme.

	Unaudited six months ended 31 December	
	2020	2019
	Cents	Cents
Total basic earnings per share attributable to the equity holders of the Company	23.8	23.7

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Unaudited six months ended 31 December	
	2020	2019
	Cents	Cents
Total diluted earnings per share attributable to the equity holders of the Company	23.8	23.7

(c) Reconciliations of earnings used in calculating earnings per share

	Unaudited six months ended 31 December	
	2020	2019
	\$000	\$000
Profit attributable to the equity holders of the Company used in calculating basic earnings per share and diluted earnings per share	266,596	265,467

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Earnings per share *(continued)*

(d) Weighted average number of shares used as the denominator

	Unaudited six months ended 31 December	
	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	1,118,446,499	1,121,567,316
Adjustments for calculation of diluted earnings per share: Effect of awarded shares	119,040	597,188
<hr/>		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,118,565,539	1,122,164,504

11 Dividends

(a) In respect of the period

	Unaudited six months ended 31 December	
	2020 \$000	2019 \$000
Interim dividend declared of 14.5 cents (2019: 14.5 cents) per fully paid share	161,093	162,643

At a meeting held on 23 February 2021, the directors declared an interim dividend of 14.5 cents per fully paid share for the year ending 30 June 2021. 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 2021.

The interim dividend declared is calculated based on the number of shares in issue at the date of approval of these Interim Financial Statements.

(b) Attributable to prior year paid in the period

	Unaudited six months ended 31 December	
	2020 \$000	2019 \$000
Final dividend of 15 cents (2019: 21 cents) per fully paid share	167,880	235,378

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Fixed assets

	Unaudited \$000
Opening net book amount at 1 July 2020	2,704,484
Additions	287,157
Disposals	(4,838)
Exchange differences	723
Depreciation	(331,094)
Closing net book amount at 31 December 2020	2,656,432
Opening net book amount at 30 June 2019	2,839,714
Changes in accounting policies	(10,088)
Restated opening net book amount at 1 July 2019	2,829,626
Additions	149,808
Disposals	(4,808)
Exchange differences	(174)
Depreciation	(342,954)
Closing net book amount at 31 December 2019	2,631,498

During the six months ended 31 December 2020, major fixed assets acquired by the Group included network and testing equipment, including network under construction amounting to \$264,925,000.

At 31 December 2020, buildings with carrying amount of \$71,525,000 (30 June 2020: \$72,744,000) were pledged as security for bank borrowings of the Group (note 16).

13 Intangible assets

	Unaudited Mobile licence fees \$000
Opening net book amount at 1 July 2020	2,872,560
Amortisation	(156,138)
Closing net book amount at 31 December 2020	2,716,422
Opening net book amount at 1 July 2019	2,764,958
Additions	133,033
Amortisation	(142,735)
Closing net book amount at 31 December 2019	2,755,256

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Trade and other receivables

	Unaudited 31 December 2020			Audited 30 June 2020		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Trade receivables	377,726	–	377,726	367,185	–	367,185
Loss allowance	(8,181)	–	(8,181)	(6,503)	–	(6,503)
	369,545	–	369,545	360,682	–	360,682
Other receivables	53,007	–	53,007	47,588	–	47,588
	422,552	–	422,552	408,270	–	408,270
Deposits	85,813	68,318	154,131	100,097	56,887	156,984
Prepayments	122,131	149,064	271,195	147,505	67,045	214,550
Total trade and other receivables	630,496	217,382	847,878	655,872	123,932	779,804

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 2020 \$000	Audited 30 June 2020 \$000
Current to 30 days	328,526	296,730
31 – 60 days	13,180	20,578
61 – 90 days	5,679	5,479
Over 90 days	22,160	37,895
	369,545	360,682

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in a loss of \$4,877,000 (2019: \$6,683,000) for the impairment of its trade receivables during the six months ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 Trade payables

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

	Unaudited 31 December 2020 \$000	Audited 30 June 2020 \$000
Current to 30 days	344,250	133,442
31 – 60 days	67,637	118,872
61 – 90 days	20,345	86,998
Over 90 days	43,757	112,478
	475,989	451,790

16 Bank and other borrowings

	Unaudited 31 December 2020			Audited 30 June 2020		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Secured bank borrowings	–	66,000	66,000	–	66,000	66,000
Unsecured bank borrowings	115,516	64,012	179,528	130,885	203,600	334,485
Guaranteed notes (a)	–	1,403,788	1,403,788	–	1,401,819	1,401,819
Total bank and other borrowings	115,516	1,533,800	1,649,316	130,885	1,671,419	1,802,304

- (a) On 8 April 2013, SmarTone Finance Limited, an indirect wholly-owned subsidiary of the Company, issued US\$200 million, 3.875% guaranteed notes due April 2023, which are listed on The Stock Exchange of Hong Kong Limited. The notes are irrevocably and unconditionally guaranteed by the Company and will rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Bank and other borrowings *(continued)*

The carrying amounts of the Group's bank borrowings included under current liabilities approximate their fair values, as the impact of discounting is not significant. The fair values of the bank borrowings included under non-current liabilities as estimated by discounting their future cash flows at the prevailing market borrowing rates at the period end date for similar borrowings and the fair values of guaranteed notes as calculated using the market price are as follows:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 31 December 2020				
Secured bank borrowings	–	66,000	–	66,000
Unsecured bank borrowings	–	62,052	–	62,052
Guaranteed notes	1,471,893	–	–	1,471,893
Total	1,471,893	128,052	–	1,599,945

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2020				
Secured bank borrowings	–	66,000	–	66,000
Unsecured bank borrowings	–	199,932	–	199,932
Guaranteed notes	1,477,389	–	–	1,477,389
Total	1,477,389	265,932	–	1,743,321

At 31 December 2020, secured bank borrowings are secured by certain buildings of the Group (note 12) (30 June 2020: same).

17 Share capital

	Unaudited	
	Shares of \$0.1 each	\$000
Authorised		
At 30 June 2020 and 31 December 2020	2,000,000,000	200,000
Issued and fully paid		
At 1 July 2020	1,122,275,101	112,227
Repurchase of shares (a)	(8,867,000)	(886)
At 31 December 2020	1,113,408,101	111,341

(a) During the six months ended 31 December 2020, the Company repurchased and cancelled 8,867,000 shares on the SEHK. The Company repurchased 1,241,000 shares in December 2020 to be cancelled after 31 December 2020. The total amount paid to acquire the 8,867,000 cancelled shares and the 1,241,000 repurchased shares of \$42,405,000 was deducted from equity attributable to equity holders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Share option scheme and share award scheme

(a) Share option scheme

(i) Movements in share options

	Unaudited	
	Average exercise price per share	Numbers of share options
At 1 July 2020	\$14.28	3,000,000
Cancelled or lapsed	\$14.28	(3,000,000)
At 31 December 2020	–	–

At 31 December 2020, no share option was outstanding (2019: 3,000,000).

(ii) Terms of unexpired and unexercised share options at balance sheet date

Date of grant	Exercise period	Exercise price per share	Unaudited	Audited
			31 December 2020	30 June 2020
			Number of share options	Number of share options
25 July 2016	25 July 2017 to 24 July 2021	\$14.28	–	3,000,000

(iii) Details of share options exercised

No share option was exercised during the six months ended 31 December 2020 and 2019.

(b) Share award scheme

(i) Movements in share award

	Unaudited
Number of awarded shares	
Outstanding at 1 July 2020	3,424,340
Vested	(80,300)
Lapsed	(306,950)
Outstanding at 31 December 2020	3,037,090

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Commitments and contingent liabilities

(a) Capital commitments

	Unaudited 31 December 2020 \$000	Audited 30 June 2020 \$000
Fixed assets Contracted for	150,150	119,543

(b) Contingent liabilities

	Unaudited 31 December 2020 \$000	Audited 30 June 2020 \$000
Performance guarantees	2,736,701	3,107,181
Financial guarantees	12,706	13,588
	2,749,407	3,120,769

20 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 68.55% of the Company's shares as at 31 December 2020. The remaining 31.45% of the shares are widely held, of which 3.87% is held by another subsidiary of Sun Hung Kai Properties Limited ("SHKP"). The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

(a) During the six months ended 31 December 2020, the Group had transactions with certain fellow subsidiaries and associates of SHKP in the ordinary course of business. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions. These transactions are not significant to the Group's Interim Financial Statements.

(b) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Unaudited six months ended 31 December	
	2020 \$000	2019 \$000
Salaries, bonuses and other short-term employee benefits	17,474	21,289
Share-based payments	924	1,231
	18,398	22,520

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Interim dividend

The Directors declared an interim dividend of 14.5 cents per share for the six months ended 31 December 2020 (2019: 14.5 cents). The interim dividend will be paid in cash on or about Thursday, 18 March 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 9 March 2021.

Closure of register of members

The record date for entitlement to the interim dividend is Tuesday, 9 March 2021. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Tuesday, 9 March 2021 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 Monday, 8 March 2021.

Directors' and chief executive's interests

As at 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), to be notified to the Company and the SEHK, were as follows:

1. Long positions in shares and underlying shares of the Company

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	5,162,337 ¹	5,162,337	–	5,162,337	0.46
Fung Yuk-lun, Allen	437,359	–	437,359	–	437,359	0.04
Chau Kam-kun, Stephen	65,700 ²	11,000 ³	76,700	80,300 ⁴ (Personal interests in unvested shares under share award scheme)	157,000	0.01

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
2. These shares of the Company represented the vested awarded shares granted under the Company's share award scheme. Details of the scheme are shown in the section entitled "Share award scheme".
3. These shares in the Company were held by the spouse of Mr. Chau Kam-kun, Stephen.
4. These underlying shares of the Company represented the unvested awarded shares granted under the Company's share award scheme. Details of the scheme are shown in the section entitled "Share award scheme".

2. Long positions in shares and underlying shares of the associated corporations of the Company

(a) Sun Hung Kai Properties Limited ("SHKP")

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	188,743	528,346,686 ¹ 80,000 ²	528,615,429	–	528,615,429	18.24
Chau Kam-kun, Stephen	1,000	–	1,000	–	1,000	0.00
David Norman Prince	2,000	–	2,000	–	2,000	0.00
Siu Hon-wah, Thomas	–	7,000 ³	7,000	–	7,000	0.00
Li Ka-cheung, Eric	–	4,028 ⁴	4,028	–	4,028	0.00

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SHKP by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
2. These shares in SHKP were held by the spouse of Mr. Kwok Ping-luen, Raymond.
3. These shares in SHKP were held jointly by Mr. Siu Hon-wah, Thomas and his spouse.
4. These shares in SHKP were held by the spouse of Dr. Li Ka-cheung, Eric.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

(b) SUNeVision Holdings Ltd. ("SUNeVision")

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	3,485,000 ¹	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	4,000,000	–	4,000,000	4,000,000 ²	8,000,000	0.34
Chau Kam-kun, Stephen	50,000	–	50,000	–	50,000	0.00

Notes:

- Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SUNeVision by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
- These underlying shares of SUNeVision represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SUNeVision under its share option scheme. Details of these share options are shown below:

Name of Director	Date of grant	Exercise price \$	Exercise period*	Number of share options				
				Outstanding at 1 July 2020	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2020
Fung Yuk-lun, Allen	8 March 2016	2.45	8 March 2017 to 7 March 2021	4,000,000	–	(4,000,000)	–	–
	22 May 2019	6.69	22 May 2020 to 21 May 2024	4,000,000	–	–	–	4,000,000

- * The share options of SUNeVision can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

(c) Mr. Kwok Ping-luen, Raymond had the following interests in shares of the following associated corporations:

Name of associated corporation	Actual shares held through corporation	Actual % of interests in issued voting shares
Splendid Kai Limited	2,500 ¹	25.00
Hung Carom Company Limited	25 ¹	25.00
Tinyau Company Limited	1 ¹	50.00
Open Step Limited	8 ¹	80.00
Vivid Synergy Limited	963,536,900 ¹	20.00

Note:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to the Model Code.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Share option scheme

The Company operates a share option scheme, which was adopted on 2 November 2011 and become effective on 8 December 2011 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Company granted/may grant options to participants, including Directors and employees of the Group, to subscribe for the shares of the Company.

Movements of the share options granted to the participants pursuant to the Share Option Scheme during the six months ended 31 December 2020 are as follows:

Grantee	Date of grant	Exercise price \$	Exercise period ¹	Number of share options				
				Outstanding at 1 July 2020	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2020
Director								
Anna Yip	25 July 2016	14.28	25 July 2017 to 24 July 2021	3,000,000	–	–	(3,000,000)	–

Note:

1. The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

Other than the share options stated above, no share options had been granted by the Company to other participants pursuant to the Share Option Scheme. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the period.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Share award scheme

A share award scheme (the "Share Award Scheme") was adopted by the Board on 29 June 2018 as an incentive arrangement to recognise the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. Pursuant to the rules of the Share Award Scheme, shares of the Company will be acquired by a trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period.

Movements of the awarded shares granted to the selected employees pursuant to the Share Award Scheme during the six months ended 31 December 2020 are as follows:

Awardee	Date of award	Vesting period ¹	Number of awarded shares				Outstanding at 31 December 2020
			Outstanding at 1 July 2020	Awarded during the period	Vested during the period	Lapsed during the period	
Directors							
Anna Yip	29 June 2018	29 June 2019 to 29 June 2021	43,600	–	–	(43,600)	–
	31 January 2019	31 January 2020 to 31 January 2022	84,000	–	–	(84,000)	–
Chan Kai-lung, Patrick	29 June 2018	29 June 2019 to 29 June 2021	29,200	–	(29,200)	–	–
	31 January 2019	31 January 2020 to 31 January 2022	51,100	–	(51,100)	–	–
Chau Kam-kun, Stephen	29 June 2018	29 June 2019 to 29 June 2021	29,200	–	–	–	29,200
	31 January 2019	31 January 2020 to 31 January 2022	51,100	–	–	–	51,100
Employees							
	29 June 2018	29 June 2019 to 29 June 2021	563,840	–	–	(30,560)	533,280
	31 January 2019	31 January 2020 to 31 January 2022	1,023,890	–	–	(55,090)	968,800
	28 February 2020	28 February 2021 to 28 February 2023	1,548,410	–	–	(93,700)	1,454,710

Note:

- 30% of the awarded shares shall vest on the first and second anniversary date of the date of award and the balance shall vest on the third anniversary date of the date of award.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Interests of substantial shareholder

As at 31 December 2020, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name	Total number of shares	% of issued voting shares
Sun Hung Kai Properties Limited ("SHKP") ¹	806,362,555	72.42%
HSBC Trustee (C.I.) Limited ("HSBCCI") ²	806,916,313	72.47%

Notes:

1. TFS Development Company Limited ("TFS") and Cellular 8 Holdings Limited ("Cellular 8", a wholly owned subsidiary of TFS) held 43,162,883 shares and 763,199,672 shares in the Company respectively. For the purpose of Part XV of the SFO, TFS was deemed to be interested in the 763,199,672 shares in the Company held by Cellular 8. Accordingly, TFS had interests and deemed interests in an aggregate of 806,362,555 shares in the Company.

In addition, TFS is a wholly-owned subsidiary of Fourseas Investments Limited ("Fourseas") which in turn is a wholly-owned subsidiary of SHKP. For the purpose of Part XV of the SFO, SHKP and Fourseas were also deemed to be interested in the above-mentioned 806,362,555 shares in the Company.

2. As HSBCCI is entitled to control the exercise of one-third or more of the voting power at general meetings of SHKP, HSBCCI is deemed to have interest in the 806,362,555 shares of the Company held indirectly by SHKP for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Purchase, sale or redemption of shares

During the six months ended 31 December 2020, the Company repurchased 10,108,000 shares of the Company on the SEHK. Of these repurchased shares, 8,867,000 shares were cancelled prior to 31 December 2020 and 1,241,000 shares were cancelled subsequently after 31 December 2020. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid \$
		Highest \$	Lowest \$	
September 2020	3,074,500	4.22	4.17	12,915,000
October 2020	1,367,000	4.20	4.17	5,730,000
November 2020	4,425,500	4.24	4.15	18,562,000
December 2020	1,241,000	4.23	4.13	5,198,000
	10,108,000			42,405,000

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, and except that the trustee of the share award scheme of the Company, pursuant to the terms of the rules and trust deed of the scheme, purchased on the SEHK a total of 1,040,000 shares of the Company at a total consideration of \$4,427,000, at no time during the six months ended 31 December 2020 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Review of interim results

An Audit Committee has been established by the Company to provide advice and recommendations to the Board. The chairman of the Committee is Dr. Li Ka-cheung, Eric (with professional accounting expertise) and the other members are Mr. Ng Leung-sing and Mr. Gan Fock-kin, Eric. All the members of the Committee are Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee held a meeting on 17 February 2021 and reviewed the interim financial statements of the Group for the six months ended 31 December 2020 as well as the report of the Risk Management Committee and the report of Internal Audit. 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 risk management and internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2020 have not been audited but have been reviewed by the Company's external auditor.

The financial information disclosed in this interim report complies with the disclosure requirements of Appendix 16 of the Listing Rules.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Corporate governance

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2020, 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. David Norman Prince, Non-Executive Director, and Mr. Gan Fock-kin, Eric, Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 4 November 2020 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 80% of all independent non-executive and non-executive members of the Board at the time) attended the said meeting in person to listen to the views expressed by the shareholders.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

Compliance with model code for securities transactions by Directors

The Group adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon specific enquiry, each Director had confirmed that during the six months ended 31 December 2020, they had fully complied with the required standard set out in the Model Code and there was no event of non-compliance.

By order of the Board

Mak Yau-hing, Alvin

Company Secretary

Hong Kong, 23 February 2021

As at the date of this report, the Executive Directors of the Company are Mr. FUNG Yuk-lun, Allen (Deputy Chairman) and Mr. CHAU Kam-kun, Stephen; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (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. GAN Fock-kin, Eric, Mrs. IP YEUNG See-ming, Christine and Mr. LAM Kwok-fung, Kenny.