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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2021 / 2022 ANNUAL RESULTS ANNOUNCEMENT

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

- Reported profit attributable to equity holders was $423M, down by 5% compared to $445M in FY21; profit excluding the receipt of government subsidies increased by 16% on a year-on-year basis

- Strong core business performance delivering 3% increase in service revenue to $4,489M

- Mobile postpaid exit ARPU rose by 5% to $213; postpaid churn rate steady at low level of 0.7%

- The Board proposed a final dividend per share of 15.5 cents, making full year dividend per share of 30.0 cents

CHAIRMAN'S STATEMENT

Business review

During the year under review, the Company reported a profit attributable to equity holders of $423M, down by 5% as compared to $445M last year. Nevertheless, discounting the impact of government subsidies, profit for this year increased by 16% on a year-on-year basis.

Although the mobile market remained very competitive with heavy pressure on pricing, SmarTone's service revenue grew by 3% while mobile postpaid exit ARPU rose by 5%. This shows the Company is firmly back on the track of growth. As of 30 June 2022, the 5G subscription penetration in our postpaid MNO subscriber base increased to approximately 28%, contributing to the continuous ARPU growth momentum. There are also some early signs of recovery in our roaming revenues during the last quarter, although the size of the recovery is still small.

The cost-optimization program launched by the Company in recent years has delivered sustainable savings and enhanced operational efficiency, without sacrificing any service quality. SmarTone will maintain focus on its cost discipline and re-investing the savings into improving quality and capturing growth opportunities. Our top priority is to deliver the best network in Hong Kong. Over the last year, there were 14 influential media that ranked SmarTone's network as "the best" in Hong Kong. In particular, according to a recent report published by OpenSignal, SmarTone delivered the best overall user experience out of all Hong Kong operators.

SmarTone's 5G network provides territory-wide coverage, which extends over major roads, highways and tunnels, and all MTR lines, including the East Rail Line cross-harbour extension. Apart from major shopping malls, prime office buildings and premium hotels, coverage has also been extended to major hiking trails and country parks in response to customer needs. With already over 99% population coverage, SmarTone will enhance its outstanding network performance via the deployment of 3.5GHz/4.9GHz bands to provide even greater capacity and the 700MHz and 850MHz bands to further improve indoor coverage.

Over the past year, SmarTone's 5G Home Broadband service has emerged as a growth engine. The success of the product is based on its ability to tap into three customer segments: 1) households that are suffering from very slow speeds from narrowband connections, 2) those suffering from expensive fees as they are served solely by one fixed-line operator, and 3) households needing additional broadband connections due to work-from-home demand. Our product is simple to use, fast, and cost competitive. It requires no technician installation and provides superior experience. We believe the product can address a key customer painpoint at home.

Customers are at the heart of SmarTone, and the Company strives to continuously elevate customers' experience. In addition to actively soliciting customer feedback, SmarTone has invested to increase the use of machine learning, artificial intelligence and other advanced predictive analytics tools to develop a deeper understanding of customers' experience. The Company uses these valuable insights and learnings to make targeted enhancements in areas that matter most to customers, to improve the way customers are served, and to develop and introduce products and services that are tailored to customers' needs.

As the fifth wave of COVID continues to hit Hong Kong, SmarTone has undertaken a number of initiatives to support Hong Kong's anti-pandemic work. During the height of the 5^{th} wave of the pandemic, SmarTone proactively built out its 5G network to provide coverage for all community isolation facilities, which had no network infrastructure. The team worked intensely "day and night" and completed the most urgent build-out in two weeks. This benefitted not just SmarTone customers, but all residents who stayed at such facilities, as the Company offered free SIM cards for all.

As part of SmarTone's support for the "Jockey Club Digital Support Project for the Elderly", the Company provides smartphones and a free basic mobile service to help elderly citizens facilitate downloads and use of the "LeaveHomeSafe" app, as well as help them stay connected with their loved ones and the community. In addition, the Company supports students from underprivileged families in continuing their studies, seamlessly online, by collaborating with Caritas Youth and Community Services to offer free data cards, and with the Joint School Information Technology Society (JSIT) to launch the "eLearning Support Scheme", powered by SmarTone 5G Home Broadband.

Dividend

The Board proposed a final dividend per share of 15.5 cents, making full year dividend per share of 30.0 cents.

Outlook

The mobile market continues to be very competitive as players cut prices to maintain market share. Economic conditions are expected to remain challenging with a distinct possibility of recession. International travel (and hence roaming) has started to ramp up but remains at a small fraction of pre-pandemic levels. The headwinds are strong.

Above all, spectrum costs remain a major cost for mobile operators. For example, the total amount of spectrum cost and tax for this financial year is even greater than the Company's net profit of $423M. In contrast to China where no spectrum fees are charged, operators in Hong Kong are required to pay spectrum fees. Since 2011, SmarTone has paid or committed to a total of $7 billion on spectrum fees. The amortization charge for mobile spectrum is still growing, and we expect the next financial year to be the peak full year impact of amortization for the spectrum bands acquired and renewed in recent years. Furthermore, in the past such spectrum costs were tax deductible, but the IRD now regards spectrum costs as capital in nature and not tax deductible. We strongly disagree with this assessment, as our usage of specific spectrum was finite (usually 15 years), and such spectrum is not transferrable. We believe this change is an unintended consequence of an administrative action by the Hong Kong Government and should be reviewed and reversed. Viewed from a macro perspective, excessive taxes and fees will only deter operators from building the best networks, which are critical to Hong Kong becoming a technology hub.

While the operating environment remains challenging, the Company has shown resilience and is back to growth. There are significant opportunities as more subscribers move to 5G. There are also growth engines in enterprise solutions and 5G Home Broadband. The Company will continue to focus on operational efficiency and cost effective operations.

As a leading mobile operator, SmarTone is committed to delivering exceptional network performance and customer service to our customers. This will not change. Moving forward, SmarTone will continue to invest in building world-class digital infrastructure to reinforce Hong Kong's development as a technology hub and support its integration with China and the Greater Bay Area.

Appreciation

During the year under review, Mr. Peter Kung has been appointed as an Independent Non-Executive Director of SmarTone. I would like to welcome Mr. Kung to the Board.

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 hard work during the year.

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 2 September 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the year under review, the Group profit attributable to shareholders decreased slightly to $423 million (2020/21: $445 million). Excluding the receipt of the government subsidies, the underlying Group profit attributable to shareholders increased by $57 million to $421 million (2020/21: $364 million) mainly due to ongoing 5G customer uptake driving local mobile revenue growth, strong growth in 5G Home Broadband, and rebound in roaming revenue from modest recovery in international travel.

Group service revenue increased by 3% to $4,489 million (2020/21: $4,339 million) mainly due to ongoing 5G customer uptake, strong growth in 5G Home Broadband, and rebound of roaming revenue. Mobile postpaid exit ARPU increased 5% to $213 (2020/21: $202).

Group's handset and accessory sales increased by $87 million or 4% to $2,469 million when compared with $2,381 million last year, mainly due to strong sales in 5G flagship phones as a result of enhanced customer engagement.

As a result, Group total revenue increased by 4% to $6,957 million (2020/21: $6,720 million).

Hong Kong customer number increased slightly to 2.75 million compared to last year at 2.74 million. Excluding MVNO customers, the postpaid churn rate was at a low 0.7%, unchanged from last year.

Cost of inventories sold increased by $87 million or 4% to $2,402 million (2020/21: $2,316 million), largely in line with the corresponding increase in handset and accessory sales.

Staff costs increased by $63 million or 11% to $652 million (2020/21: $589 million) mainly due to the significant reduction of government subsidy from Employment Support Scheme. Excluding the government subsidies received, staff costs decreased by 2% as the result of cost-optimization program that delivered recurring savings.

Cost of services provided and other operating expenses fell by $29 million or 2% to $1,328 million (2020/21: $1,356 million) as the Group continues to benefit from the cost-optimization program that has been implemented to drive for the most optimal cost level and structure.

Group EBITDA increased by $116 million to $2,575 million (2020/21: $2,460 million).

Depreciation, amortization and loss on disposal increased by $46 million or 3% to $1,832 million (2020/21: $1,785 million) mainly due to increase in amortization of spectrum utilization fee offset by decrease in right-of-use assets depreciation driven by rental reduction.

Group operating profit was $744 million, increased by 10% (2020/21: $674 million).

Finance income decreased by $34 million or 95% to $2 million (2020/21: $36 million) mainly due to the increase in provision for expected credit loss on financial assets at amortized cost of $31 million.

Finance costs increased by $31 million or 28% to $145 million (2020/21: $114 million) mainly due to higher accretion expense from spectrum utilization fee offset by lower accretion expense from lease liabilities.

Income tax expense amounted to $177 million (2020/21: $153 million), reflecting an effective tax rate of 29.5% (2020/21: 25.7%). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, 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 utilization fee from the Inland Revenue Department.

Capital structure, liquidity and financial resources

The Group maintained a strong balance sheet for the year under review. During the year, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 30 June 2022, the Group recorded share capital of $111 million, total equity of $5,154 million and total borrowings of $1,511 million.

The Group's cash resources remained robust with cash and bank balances including short-term bank deposits of $2,141 million as at 30 June 2022 (30 June 2021: $2,095 million).

As at 30 June 2022, the Group had bank and other borrowings of $1,511 million (30 June 2021: $1,588 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 amortized cost, amounted to $1,021 million as at 30 June 2022 (30 June 2021: $994 million).

The Group had net cash generated from operating activities and interest received of $2,036 million and $36 million respectively during the year ended 30 June 2022. The Group's major outflows of funds during the year were payments for purchase of fixed assets, spectrum utilization fee, leases, dividends 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 2023 with internal cash resources.

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 amortized cost. Bank deposits and financial assets at amortized 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 collateralize 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 $68 million as at 30 June 2022 (30 June 2021: $70 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 30 June 2022. 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 amortized cost, trade payables and bank and other borrowings denominated in United States dollars. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

As at 30 June 2022, the Group provided performance and financial guarantees of $762 million (30 June 2021: $2,401 million).

Employees, share award scheme and share option scheme

The Group had 1,737 full-time employees as at 30 June 2022 (30 June 2021: 1,665), with the majority of them based in Hong Kong. Total staff costs were $652 million for the year ended 30 June 2022 (2020/21: $589 million). Excluding government subsidies, staff costs were $654 million for the year ended 30 June 2022 (2020/21: $669 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 recognize the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. During the year under review, 202,305 shares were lapsed. 417,805 shares (30 June 2021: 1,409,680) were outstanding as at 30 June 2022.

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. No share option was outstanding as at 30 June 2022 (30 June 2021: Nil).

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the "Company") is pleased to present the consolidated profit and loss account and the consolidated statement of comprehensive income for the year ended 30 June 2022 and the consolidated balance sheet as at 30 June 2022 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account
For the year ended 30 June 2022

	Notes	**2022** **$000**	2021 $000
Service revenue and other related service		**4,488,597**	4,338,890
Handset and accessory sales		**2,468,688**	2,381,418
Revenues	3	**6,957,285**	6,720,308
Cost of inventories sold		**(2,402,302)**	(2,315,791)
Cost of services provided		**(370,175)**	(372,041)
Staff costs		**(652,017)**	(588,682)
Other operating expenses, net		**(957,462)**	(984,203)
Depreciation, amortization and loss on disposal	6	**(1,831,707)**	(1,785,376)
Operating profit		**743,622**	674,215
Finance income	4	**1,635**	35,853
Finance costs	5	**(145,440)**	(114,035)
Profit before income tax	6	**599,817**	596,033
Income tax expense	7	**(176,891)**	(153,395)
Profit after income tax		**422,926**	442,638
Profit attributable to			
Company's shareholders		**423,170**	444,621
Non-controlling interests		**(244)**	(1,983)
		422,926	442,638
Earnings per share for profit attributable to Company's shareholders during the year (expressed in cents per share)	8		
Basic		**38.2**	39.9
Diluted		**38.2**	39.9

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2022

	2022 $000	2021 $000
Profit for the year	**422,926**	442,638
Other comprehensive (loss)/income		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	**(400)**	2,998
Item that will not be reclassified subsequently to profit and loss:		
Fair value (loss)/gain on financial asset at fair value through other comprehensive income	**(561)**	12,404
Other comprehensive (loss)/income for the year	**(961)**	15,402
Total comprehensive income for the year	**421,965**	458,040
Total comprehensive income attributable to		
Company’s shareholders	**422,209**	460,023
Non-controlling interests	**(244)**	(1,983)
	421,965	458,040

Consolidated Balance Sheet
At 30 June 2022

	Notes	**2022 $000**	2021 $000
Non-current assets			
Fixed assets		**2,736,212**	2,679,862
Customer acquisition costs		**87,608**	76,874
Contract assets		**42,747**	68,571
Right-of-use assets		**917,635**	904,627
Interest in an associate		**3**	3
Financial asset at fair value through other comprehensive income		**16,194**	16,755
Financial assets at amortized cost		**336,973**	422,825
Intangible assets		**4,904,742**	3,119,536
Deposits and prepayments		**130,145**	167,485
Deferred income tax assets		**7,468**	5,585
Total non-current assets		**9,179,727**	7,462,123
Current assets			
Inventories		**100,036**	57,423
Financial assets at amortized cost		**54,783**	64,641
Contract assets		**88,312**	117,342
Trade receivables	10	**343,809**	332,177
Deposits and prepayments		**243,751**	211,331
Other receivables		**82,402**	56,654
Tax reserve certificate		**347,796**	253,484
Short-term bank deposits		**1,755,049**	-
Cash and cash equivalents		**385,467**	2,094,884
Total current assets		**3,401,405**	3,187,936
Current liabilities			
Trade payables	11	**239,453**	414,085
Other payables and accruals		**723,543**	722,367
Contract liabilities		**332,394**	304,111
Lease liabilities		**576,299**	546,301
Current income tax liabilities		**557,318**	492,981
Bank and other borrowings		**1,444,812**	77,189
Spectrum utilization fee liabilities		**217,609**	102,912
Total current liabilities		**4,091,428**	2,659,946

Consolidated Balance Sheet
At 30 June 2022

	2022	2021
	$000	$000
Non-current liabilities		
Asset retirement obligations	**75,710**	67,374
Contract liabilities	**14,455**	24,640
Lease liabilities	**328,522**	351,465
Bank and other borrowings	**66,000**	1,510,771
Spectrum utilization fee liabilities	**2,734,426**	826,962
Deferred income tax liabilities	**116,807**	111,793
Total non-current liabilities	**3,335,920**	2,893,005
Net assets	**5,153,784**	5,097,108
Capital and reserves		
Share capital	**110,579**	111,099
Reserves	**5,043,205**	5,007,874
Total equity attributable to the Company's shareholders	**5,153,784**	5,118,973
Non-controlling interests	**-**	(21,865)
Total equity	**5,153,784**	5,097,108

Notes to the Consolidated Financial Statements

1 General information

SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of telecommunications services and the sale of handsets and accessories in Hong Kong and Macau.

The Company is a limited liability company incorporated in Bermuda. The address of its head office and principal place of business is 31/F, Millennium City 2, 378 Kwun Tong Road, Kwun Tong, Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "SEHK").

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 2 September 2022.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated 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.

The Group's current liabilities exceeded current assets by $690,023,000 as at 30 June 2022. This was mainly due to the guaranteed notes of $1,425,684,000 which are maturing in April 2023, contract liabilities of $332,394,000 recognized under HKFRS 15 which will gradually reduce over time through the satisfaction of performance obligations under the contract terms and current portion of lease liabilities of $576,299,000 where the related right of use assets are classified within non-current assets. Taking into account of the Group's history of cashflows from operations and its expected future working capital requirements and available cash and deposit balances, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

(ii) 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 2021.

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions beyond 30 June 2021

The adoption of these amendments did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2 Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

(iii) New standards, amendments to standards and interpretations to existing standards not yet adopted

Certain new standards, amendments to standards and interpretations to existing standards have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group.

Annual Improvements Project	Annual Improvements 2018-2020 Cycle[1]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
HKAS 8 (Amendments)	Definition of Account Estimates[2]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[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 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments[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]
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
AG 5 (Revised)	Merger Accounting for Common Control Combinations[1]

[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 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, amortization and loss on disposal ("EBITDA") and operating profit.

3 Segment reporting *(continued)*

An analysis of the Group's segment information by geographical segments is set out as follows:

(a) Segment results

	For the year ended 30 June 2022			
	Hong Kong $000	**Macau $000**	**Elimination $000**	**Consolidated $000**
External revenue	**6,453,157**	**504,128**	**-**	**6,957,285**
Inter-segment revenue	**438,718**	**5,590**	**(444,308)**	**-**
Total revenue	**6,891,875**	**509,718**	**(444,308)**	**6,957,285**
Timing of revenue recognition				
At a point in time	**2,453,371**	**452,175**	**(436,858)**	**2,468,688**
Over time	**4,438,504**	**57,543**	**(7,450)**	**4,488,597**
	6,891,875	**509,718**	**(444,308)**	**6,957,285**
EBITDA	**2,570,822**	**4,507**	**-**	**2,575,329**
Depreciation, amortization and loss on disposal	**(1,823,970)**	**(7,737)**	**-**	**(1,831,707)**
Operating profit/(loss)	**746,852**	**(3,230)**	**-**	**743,622**
Finance income				**1,635**
Finance costs				**(145,440)**
Profit before income tax				**599,817**
Other information				
Additions to fixed assets	**704,897**	**3,546**	**-**	**708,443**
Additions to intangible assets	**2,217,034**	**-**	**-**	**2,217,034**
Depreciation of fixed assets	**636,090**	**3,255**	**-**	**639,345**
Depreciation of right-of-use assets	**665,087**	**3,827**	**-**	**668,914**
Amortization of intangible assets	**431,828**	**-**	**-**	**431,828**
Amortization of customer acquisition costs	**79,733**	**640**	**-**	**80,373**
Loss on disposal of fixed assets	**11,232**	**15**	**-**	**11,247**
Impairment loss of trade receivables	**608**	**676**	**-**	**1,284**
(Reversal of)/impairment loss of inventories	**(5,112)**	**9**	**-**	**(5,103)**

3 Segment reporting *(continued)*

(a) Segment results *(continued)*

	For the year ended 30 June 2021			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
External revenue	6,363,855	356,453	-	6,720,308
Inter-segment revenue	284,346	6,634	(290,980)	-
Total revenue	6,648,201	363,087	(290,980)	6,720,308
Timing of revenue recognition				
At a point in time	2,376,218	287,935	(282,735)	2,381,418
Over time	4,271,983	75,152	(8,245)	4,338,890
	6,648,201	363,087	(290,980)	6,720,308
EBITDA	2,459,628	(37)	-	2,459,591
Depreciation, amortization and loss on disposal	(1,780,284)	(5,093)	1	(1,785,376)
Operating profit/(loss)	679,344	(5,130)	1	674,215
Finance income				35,853
Finance costs				(114,035)
Profit before income tax				596,033
Other information				
Additions to fixed assets	649,694	2,116	-	651,810
Additions to intangible assets	572,528	-	-	572,528
Depreciation of fixed assets	657,071	2,639	(1)	659,709
Depreciation of right-of-use assets	709,543	1,232	-	710,775
Amortization of intangible assets	325,552	-	-	325,552
Amortization of customer acquisition costs	70,896	1,225	-	72,121
Loss/(gain) on disposal of fixed assets	17,222	(3)	-	17,219
Impairment loss of trade receivables	6,796	775	-	7,571
Impairment loss/(reversal of impairment loss) of inventories	953	(494)	-	459

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

3 Segment reporting *(continued)*

(b) Segment assets/(liabilities)

	At 30 June 2022			
	Hong Kong $000	**Macau $000**	**Unallocated $000**	**Consolidated $000**
Segment assets	**11,710,180**	**107,735**	**763,217**	**12,581,132**
Segment liabilities	**(6,645,946)**	**(107,277)**	**(674,125)**	**(7,427,348)**

	At 30 June 2021			
	Hong Kong $000	Macau $000	Unallocated $000	Consolidated $000
Segment assets	9,784,797	101,969	763,293	10,650,059
Segment liabilities	(4,832,965)	(115,212)	(604,774)	(5,552,951)

The total of non-current assets other than interest in an associate, financial asset at fair value through other comprehensive income, financial assets at amortized cost and deferred income tax assets located in Hong Kong is $8,739,930,000 (2021: $6,941,685,000), and the total of these non-current assets located in Macau is $79,159,000 (2021: $75,270,000).

Unallocated assets consist of tax reserve certificate, interest in an associate, financial asset at fair value through other comprehensive income, financial assets at amortized cost and deferred income tax assets.

Unallocated liabilities consist of current income tax liabilities and deferred income tax liabilities.

4 Finance income

	2022 $000	2021 $000
Interest income from financial assets at amortized cost	**22,720**	23,663
Interest income from bank deposits	**9,737**	11,221
Accretion income	**178**	969
Expected credit loss on financial assets at amortized cost	**(31,000)**	-
	1,635	35,853

During the year ended 30 June 2022, expected credit loss of $31,000,000 was recognized to reflect the change in credit risk for the financial assets at amortized cost.

Accretion income represents changes in the rental deposits due to passage of time calculated by applying an effective interest rate method of allocation to the amount of rental deposits at the beginning of the year.

5 Finance costs

	2022 $000	2021 $000
Interest expense on bank and other borrowings	**62,220**	65,942
Accretion expenses		
Spectrum utilization fee liabilities	**57,809**	21,508
Lease liabilities	**13,934**	24,337
Asset retirement obligations	**502**	545
Net exchange loss on financing activities	**10,975**	1,657
Loss on disposal of financial assets at amortized cost	**-**	46
	145,440	114,035

Accretion expenses represent changes in the spectrum utilization fee liabilities, lease liabilities and asset retirement obligations due to passage of time calculated by applying an effective interest rate method of allocation to the amount of the liabilities at the beginning of the year.

6 Profit before income tax

Profit before income tax is stated after charging/(crediting) the following:

	2022 **$000**	2021 $000
Other operating expenses, net		
- Network costs	**532,371**	559,779
- Short-term and low-value leases	**38,761**	40,140
- Impairment loss of trade receivables (note 10)	**1,284**	7,571
- Auditor's remuneration		
- Audit services	**2,553**	2,476
- Non-audit services	**864**	985
- Net exchange loss	**1,844**	3,092
- Others	**379,785**	370,160
Loss on disposal of fixed assets	**11,247**	17,219
Depreciation of fixed assets	**639,345**	659,709
Depreciation of right-of-use assets	**668,914**	710,775
Amortization of spectrum utilization fee	**431,828**	325,552
Amortization of customer acquisition costs	**80,373**	72,121
(Reversal of)/impairment loss of inventories	**(5,103)**	459

7 Income tax expense

This note provides an analysis of the Group's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

(a) Income tax expense

	2022 **$000**	2021 $000
Current income tax		
Hong Kong profits tax	**173,208**	135,581
Overseas tax	**2,292**	1,571
(Over)/under-provision in prior years		
Hong Kong profits tax	**(1,403)**	19,474
Overseas tax	**(337)**	-
Total current income tax expense	**173,760**	156,626
Deferred income tax		
Increase in deferred income tax assets	**(1,883)**	(1,444)
Increase/(decrease) in deferred income tax liabilities	**5,014**	(1,787)
Total deferred income tax expense/(benefit)	**3,131**	(3,231)
Income tax expense	**176,891**	153,395

7 Income tax expense *(continued)*

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2022 $000	2021 $000
Profit before income tax expense	**599,817**	596,033
Tax at the Hong Kong tax rate of 16.5% (2021: 16.5%)	**98,970**	98,346
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Anti-epidemic fund	**(290)**	(12,605)
Interest income	**(3,617)**	(3,944)
Net exchange loss	**1,786**	260
Expected credit loss on financial assets at amortized cost	**5,115**	-
Temporary differences/Non-deductible expenses	**81,478**	55,754
Difference in overseas tax rates	**1,039**	779
(Over)/under-provision in prior years	**(1,740)**	19,474
Recognition of previously unrecognized tax losses	**(4,128)**	(3,258)
Tax loss not recognized	**899**	892
Utilization of previously unrecognized tax losses	**(2,621)**	(2,303)
Income tax expense	**176,891**	153,395

8 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to Company's shareholders
- by the weighted average number of ordinary shares outstanding during the financial year and excluding shares held for share award scheme.

	2022 Cents	2021 Cents
Total basic earnings per share attributable to Company's shareholders	**38.2**	39.9

8 Earnings per share *(continued)*

(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.

	2022 **Cents**	2021 Cents
Total diluted earnings per share attributable to Company's shareholders	**38.2**	39.9

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

	2022 **$000**	2021 $000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	**423,170**	444,621

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

	2022 **Number**	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	**1,108,810,921**	1,114,587,861
Adjustments for calculation of diluted earnings per share:		
Effect of awarded shares	**126,555**	246,177
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,108,937,476**	1,114,834,038

9 Dividends

	2022	2021
	$000	$000
Interim dividend, paid, of 14.5 cents (2021: 14.5 cents) per fully paid share	**160,650**	161,093
Final dividend, proposed, of 15.5 cents (2021: 15.5 cents) per fully paid share	**171,372**	172,203
	332,022	333,296

At a meeting held on 2 September 2022, the directors proposed a final dividend of 15.5 cents per fully paid share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2023.

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

10 Trade receivables

The credit periods granted by the Group to its customers generally range from 15 days to 45 days from the date of invoice (2021: same). An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2022	2021
	$000	$000
Current to 30 days	**269,957**	278,211
31 - 60 days	**19,284**	15,444
61 - 90 days	**6,902**	6,040
Over 90 days	**47,666**	32,482
	343,809	332,177

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

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 $1,284,000 (2021: $7,571,000) for the impairment of its trade receivables during the year ended 30 June 2022.

11 Trade payables

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

	2022 **$000**	2021 $000
Current to 30 days	**141,516**	251,096
31 - 60 days	**42,727**	56,020
61 - 90 days	**12,250**	38,657
Over 90 days	**42,960**	68,312
	239,453	414,085

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 30 June 2022 have been audited by the independent auditor of the Company, PricewaterhouseCoopers. The unqualified independent auditor's report will be included in the Annual Report.

DIVIDENDS

The Directors recommended the payment of a final dividend for the year ended 30 June 2022 of 15.5 cents per share (2020/21: 15.5 cents). The proposed final dividend, together with the interim dividend of 14.5 cents per share paid by the Company during the year (2020/21: 14.5 cents), makes a total dividend for the year of 30.0 cents per share.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be paid in cash on or about Friday, 18 November 2022 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 9 November 2022.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Tuesday, 1 November 2022. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Thursday, 27 October 2022 to Tuesday, 1 November 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 26 October 2022.

The record date for entitlement to the proposed final dividend is Wednesday, 9 November 2022. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Wednesday, 9 November 2022 during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (address as per above) for registration no later than 4:30 p.m. on Tuesday, 8 November 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2022, the Company repurchased 5,364,500 shares of the Company on The Stock Exchange of Hong Kong Limited. Of these repurchased shares, 5,196,500 shares were cancelled prior to 30 June 2022 and 168,000 shares were cancelled subsequently after 30 June 2022. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
		$	$	$
November 2021	1,386,500	4.32	4.15	5,877,000
December 2021	862,500	4.15	4.10	3,558,000
February 2022	75,500	4.40	4.38	331,000
March 2022	2,008,500	4.40	3.99	8,419,000
May 2022	863,500	4.06	4.04	3,495,000
June 2022	168,000	4.05	4.03	680,000
	5,364,500			22,360,000

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 Stock Exchange of Hong Kong Limited a total of 820,000 shares of the Company at a total consideration of $3,563,000, at no time during the year ended 30 June 2022 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the financial statements of the Group for the year ended 30 June 2022 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 disclosure of data and explanations shown in the financial statements. The Committee was also satisfied that adequate and effective risk management and internal control systems have been maintained by the Group for the year ended 30 June 2022.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the year ended 30 June 2022, 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 a specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's Bye-laws. As such, no Director has a term of appointment longer than three years.

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Code Provision E.1.2 of the CG Code also provides that the chairman of the board should attend the annual general meeting. Mr. Kwok Ping-luen, Raymond, Non-Executive Director and Chairman of the Board, Mr. David Norman Prince, Non-Executive Director, and Mr. Gan Fock-kin, Eric and Mr. Lam Kwok-fung, Kenny, Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 2 November 2021 due to overseas commitments or other prior engagements. The remaining seven Independent Non-Executive Directors and Non-Executive Directors (representing 64% 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. Mr. Fung Yuk-lun, Allen, Executive Director and Deputy Chairman of the Board, took the chair of the said meeting pursuant to the Bye-laws of the Company.

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

Full details of the report on corporate governance will be set out in the Company's 2021/22 Annual Report.

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

Hong Kong, 2 September 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Mr. TAM Lok-man, Norman (Deputy Chief Executive Officer) 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, Mr. LAM Kwok-fung, Kenny, Mr. LEE Yau-tat, Samuel and Mr. Peter KUNG.