SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2018 / 2019 ANNUAL RESULTS ANNOUNCEMENT

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

- Under the previous accounting standard HKAS 18, net profit down 1% to $608m. Excluding one-off cost adjustment, underlying net profit declined 10% to $556m, mainly due to intense competition and a decline in the handset business
- Under HKFRS 15, net profit was restated to $632m; excluding one-off cost adjustment, underlying net profit would have been $581m
- Customer numbers up 7% to 2.55m; churn rate at industry-low of 0.8%
- In a highly competitive market, group service revenue was largely stable at $5,047m on a like-for-like basis under HKAS 18
- The Board proposed a final dividend of 21 cents per share, bringing full year dividend to 39 cents per share, in line with the 75% payout policy of underlying net profit (excluding one-off cost adjustment)

CHAIRMAN'S STATEMENT

Business review

During the year under review the mobile market remained intensely competitive. SmarTone maintained its focus on building a strong brand, strengthening its customer segmentation, and enhancing customer experience supported by an excellent network. Customer numbers increased 7% to 2.55 million and postpaid churn rate was at an industry-low of 0.8%.

Under HKAS 18 which provides a consistent basis for comparison, group service revenue was flat at $5,047 million. Growth in the Enterprise Solutions business, Digital Brand and Hong Kong roaming offset the pressure from pricing competition and a weaker handset business. The Company's productivity drive resulted in a 2% decline in total operating costs despite growth in customers and data usage. Group EBITDA increased 1% to $2,168 million, while group net profit declined 1% to $608 million. Excluding a one-off cost adjustment, underlying group net profit declined 10% to $556 million.

Under HKFRS 15, group service revenue was restated to $4,634 million as part of the revenue in handset-bundled plans was reallocated to handset and accessories sales. As a result, group EBITDA is restated to $1,842 million as handset cost was reflected upfront above EBITDA. Group net profit for the year was restated to $632 million. Excluding a one-off cost adjustment, underlying group net profit would have been $581 million.

The increased focus on customer segmentation and delivering tailored services supported growth in customer numbers, particularly in the high-tier segment, corporate customers and the digital brand. Mobile postpaid ARPU continued to be industry-leading at $224 (HKFRS 15).

The Enterprise Solutions business achieved strong growth by capturing corporate demand for advanced information and communication solutions. In March, SmarTone unveiled the Cybersecurity Solutions practice. By working with leading-edge solution providers around the world, SmarTone Cybersecurity offers a total solution to prevent and detect cyber threats as well as providing timely responses when incidents happen. Early response from customers has been very encouraging.

The Company's digitalisation drive continued to focus on customer experience and operational effectiveness. S-Bot, the first bilingual AI chatbot launched by a Hong Kong operator, helped to reduce response time and enhance contact centre productivity. In addition, the SmarTone Online Store was recognised by the HK Retail Management Association as one of Hong Kong's Top 10 E-Shops.

SmarTone's digital brand, Birdie, continued to register healthy customer growth in the student and millennial segments. It has won a number of prestigious digital marketing and telecom awards. The Company also launched Birdie Farm, the first game in Hong Kong to enable players to 'grow' in-game rewards into mobile data. In the coming year, Birdie will continue to build its digital community, enhance customer experience and expand partnerships.

SmarTone continued to invest in the latest technologies to deliver excellent network performance. The Company was the first operator in Hong Kong to launch Licensed Assisted Access (LAA) to achieve download speeds from 600Mbps to 1Gbps. This, in combination with the installation of small cells at selected hotspots, have significantly improved network performance in those high traffic areas. In addition, SmarTone has been investing in preparation for 5G. In March, the Company pioneered Hong Kong's first simultaneous 5G live trial in the 3.5GHz and 28GHz bands. The trial results lay the foundation for SmarTone to deliver cutting-edge 5G network performance in the future.

Dividend

In line with the Company's 75% payout policy, the Board proposed a final dividend of 21 cents, making a full-year dividend of 39 cents per share, based on underlying net profit of $581 million (excluding one-off cost adjustment). Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Outlook

The operating environment is marked by unusual macroeconomic uncertainties and intense competition, which will put pressure on profitability. There will be substantial headwinds in the near term. The Company will focus on fundamentals to be successful in the highly competitive market, and drive for growth in high potential areas. This includes deepening its segmentation strategy, expanding Enterprise Solutions, enhancing customer experience and improving productivity through digitalisation.

Development of 5G technology promises higher data speeds, much lower latency and larger network capacity. In the medium term, 5G will bring ample new business opportunities, especially with the development of Smart City initiatives. In the coming months, SmarTone will progressively invest to embrace new business opportunities from 5G.

Appreciation

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 6 September 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

During the year under review, Hong Kong customer number grew 7% year-on-year to 2.55 million through growth in different segments. Postpaid churn rate remained stable at an industry low of 0.8%.

With the implementation of the new accounting standard, HKFRS 15, a portion of Group service revenue of handset bundled plans is allocated to handset and accessory sales. Cost of inventories sold are recognised upfront with a corresponding reduction in handset subsidy amortisation.

Group total revenue decreased by 16% to $8,415 million (2017/18: $9,988 million).

Under HKFRS 15, Group service revenue fell 8% to $4,634 million (2017/18: $5,059 million) as part of the service revenue of handset bundled plans was allocated to handset and accessory sales. Based on the previous accounting standard HKAS 18 which provides a consistent basis for comparison with last year, Group service revenue remained stable despite intense competition. Mobile postpaid ARPU fell 4% to $247 under HKAS 18 ($224 under HKFRS 15)

Roaming revenue, which made up of 16% of Group's service revenue (2017/18: 14%) remained stable as healthy growth in data roaming was largely offset by weakness in voice roaming.

Group's handset and accessory sales fell by $1,148 million or 23% to $3,781 million (2017/18: $4,929 million) amid lower demand for flagship handsets and lengthening handset replacement cycle.

Under HKFRS 15, cost of inventories sold fell by $1,144 million or 24% to $3,723 million (2017/18: $4,867 million), in line with the corresponding decrease in handset and accessory sales. Handset subsidy can no longer be amortised and has to be reflected as cost of inventories sold as incurred.

Staff costs rose by $28 million or 4% to $748 million (2017/18: $720 million) amid annual salary increment and increase in share-based payments due to the grant of share awards to over 300 staff during the year.

Cost of services provided and other operating expenses fell by $163 million or 7% to $2,102 million (2017/18: $2,265 million) as sales commissions were capitalised as customer acquisition costs and amortised over the contract period under HKFRS 15 instead of expensed as incurred previously.

Based on the previous accounting standard, cost of services provided and other operating expenses fell by $98 million or 4% as a result of ongoing efficiency drives, despite higher customer number and data usage.

Depreciation and loss on disposal rose by $15 million or 2% to $678 million (2017/18: $664 million) amid write off of certain obsolete equipment.

Handset subsidy amortisation fell by $341 million (2017/18: $341 million) as handset subsidy is no longer amortised under HKFRS 15. It has to be reflected as cost of inventories sold.

Amortisation of customer acquisition costs rose by $55 million (2017/18: nil) as sales commissions are capitalised as customer acquisition costs and amortised over contract period under HKFRS 15 instead of expensed as incurred previously.

Spectrum utilisation fee amortisation remained stable at $285 million.

Finance income rose by $24 million or 39% to $85 million (2017/18: $61 million) mainly amid higher deposit interest income.

Finance costs fell by $13 million or 11% to $108 million (2017/18: $121 million) mainly amid lower interest expenses on US$ notes payable, lower handset instalment charges and lower accretion expenses on mobile licence fee liabilities.

Income tax expense amounted to $182 million (2017/18: $180 million), reflecting an effective tax rate of 22.7% (2017/18: 22.8%). In light of the uncertainty of the tax deductibility of the spectrum utilisation fees, these payments have been treated as non-deductible on cash or amortisation basis, Group effective tax rate is therefore higher than 16.5%.

During the year under review, Group EBITDA fell by 14% to $1,842 million (2017/18: $2,136 million) mainly due to the adoption of HKFRS 15. Group operating profit was $823 million, representing a 3% decrease as compared with last year. Group profit attributable to shareholders rose by 3% to $632 million (2017/18: $615 million). Excluding a one-off cost adjustment in current year, Group profit attributable to shareholders would have been 6% lower at $581 million.

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 2019, the Group recorded share capital of $112 million, total equity of $5,077 million and total borrowings of $2,303 million.

The Group's cash resources remained robust with cash and bank balances (including short-term bank deposits) of $2,129 million as at 30 June 2019 (30 June 2018: $1,828 million).

As at 30 June 2019, the Group had bank and other borrowings of $2,303 million (30 June 2018: $2,430 million) of which 78% were denominated in United States dollars and were arranged on a fixed rate basis. Net cash, including financial assets at amortised costs, amounted to $310 million as at 30 June 2019 (30 June 2018: net debt of $36 million). Net cash to EBITDA was 0.17X as at 30 June 2019 (30 June 2018: net debt to EBITDA was 0.02X).

The Group had net cash generated from operating activities and interest received of $1,304 million and $70 million respectively during the year ended 30 June 2019. The Group's major outflows of funds during the year were payments for purchase of fixed assets, payment for dividends, tax and 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 2020 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 costs. Bank deposits and financial assets at amortised costs 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 $75 million as at 30 June 2019 (30 June 2018: $78 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 22% of the Group's total borrowings at 30 June 2019. The remaining 78% 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 and other receivables, cash and cash equivalents, bank deposits, financial asset at fair value through other comprehensive income, financial assets at amortised costs, trade and other payables and bank and other borrowings denominated in United States dollars. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

Performance bonds

Certain banks, on the Group's behalf, had issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under mobile licences issued by those authorities. The total amount outstanding as at 30 June 2019 under these performance bonds was $404 million (30 June 2018: $4 million).

During the year under review, a bank issued a standby letter of credit of $1,080 million to a subsidiary of the Company in favour of the Office of the Communications Authority ("OFCA") regarding the acceptance of the offer of the right of first refusal for the re-assignment of two of the spectrum.

A bank also issued two standby letters of credit with amounts of $580 million and $760 million respectively, being the final amount of spectrum utilisation fees determined during the auction.

Employees, share award scheme and share option scheme

The Group had 1,893 full-time employees as at 30 June 2019 (30 June 2018: 1,898), with the majority of them based in Hong Kong. Total staff costs were $748 million for the year ended 30 June 2019 (2017/18: $720 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 year under review, 1,830,800 shares were granted and 157,200 share were lapsed. 3,545,400 shares (30 June 2018: 1,871,800) were outstanding as at 30 June 2019.

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 year under review, no share options were granted, cancelled or lapsed. 3,000,000 (30 June 2018: 3,000,000) share options were outstanding as at 30 June 2019.

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the "Company") is pleased to present the consolidated profit and loss account and consolidated statement of comprehensive income for the year ended 30 June 2019 and the consolidated balance sheet as at 30 June 2019 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account
For the year ended 30 June 2019

	Notes	**2019 $000**	2018 $000
Service revenue		**4,633,700**	5,059,258
Handset and accessory sales		**3,781,337**	4,929,234
Revenues	3	**8,415,037**	9,988,492
Cost of inventories sold		**(3,722,748)**	(4,867,053)
Cost of services provided		**(376,809)**	(368,475)
Staff costs		**(748,259)**	(720,333)
Other operating expenses		**(1,725,432)**	(1,896,417)
Depreciation, amortisation and loss on disposal	6	**(1,018,586)**	(1,289,773)
Operating profit		**823,203**	846,441
Finance income	4	**85,190**	61,423
Finance costs	5	**(107,733)**	(120,909)
Profit before income tax	6	**800,660**	786,955
Income tax expense	7	**(181,864)**	(179,803)
Profit after income tax		**618,796**	607,152
Attributable to			
Equity holders of the Company		**632,247**	615,243
Non-controlling interests		**(13,451)**	(8,091)
		618,796	607,152
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	8		
Basic		**56.3**	55.4
Diluted		**56.3**	55.4

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2019

	2019 **$000**	2018 $000
Profit for the year	**618,796**	607,152
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit and loss:		
Fair value loss on financial investments, net of tax	**-**	(1,366)
Currency translation differences	**(5,365)**	2,050
Items that will not be reclassified subsequently to profit and loss:		
Fair value loss on financial asset at fair value through other comprehensive income, net of tax	**(2,086)**	-
Other comprehensive (loss)/income for the year, net of tax	**(7,451)**	684
Total comprehensive income for the year	**611,345**	607,836
Total comprehensive income attributable to		
Equity holders of the Company	**624,796**	615,927
Non-controlling interests	**(13,451)**	(8,091)
	611,345	607,836

Consolidated Balance Sheet
At 30 June 2019

	Notes	**2019** **$000**	2018 $000
Non-current assets			
Leasehold land and land use rights		**10,038**	11,315
Fixed assets		**2,839,714**	2,970,680
Customer acquisition costs		**60,288**	-
Contract assets		**103,196**	-
Interest in an associate		**3**	3
Financial asset at fair value through other comprehensive income		**4,560**	-
Financial assets at amortised cost		**156,423**	-
Held-to-maturity debt securities		**-**	486,599
Intangible assets		**2,764,958**	3,516,902
Deposits and prepayments		**121,568**	117,135
Deferred income tax assets		**4,789**	5,542
Total non-current assets		**6,065,537**	7,108,176
Current assets			
Inventories		**79,472**	161,465
Financial assets at amortised cost		**326,912**	-
Available-for-sale financial assets		**-**	6,646
Held-to-maturity debt securities		**-**	80,092
Contract assets		**294,867**	-
Trade receivables	10	**442,312**	364,757
Deposits and prepayments		**167,287**	172,877
Other receivables		**124,995**	43,645
Tax reserve certificate		**252,362**	252,362
Short-term bank deposits		**173,327**	96,155
Cash and cash equivalents		**1,955,987**	1,731,951
Total current assets		**3,817,521**	2,909,950
Current liabilities			
Trade payables	11	**448,469**	521,620
Other payables and accruals		**812,171**	852,081
Contract liabilities		**267,970**	-
Current income tax liabilities		**508,199**	457,389
Bank borrowings		**430,393**	135,789
Customer prepayments and deposits		**146,172**	247,081
Deferred income		**-**	222,996
Mobile licence fee liabilities		**60,041**	60,041
Total current liabilities		**2,673,415**	2,496,997
Non-current liabilities			
Customer prepayments and deposits		**22,650**	98,087
Asset retirement obligations		**41,911**	43,027
Bank and other borrowings		**1,872,516**	2,294,592
Mobile licence fee liabilities		**83,309**	127,991
Deferred income tax liabilities		**112,608**	125,708
Total non-current liabilities		**2,132,994**	2,689,405
Net assets		**5,076,649**	4,831,724

Consolidated Balance Sheet
At 30 June 2019

	2019 **$000**	2018 $000
Capital and reserves		
Share capital	**112,453**	112,426
Reserves	**4,944,710**	4,686,655
Total equity attributable to equity holders of the Company	**5,057,163**	4,799,081
Non-controlling interests	**19,486**	32,643
Total equity	**5,076,649**	4,831,724

Notes to the Consolidated Financial Statements

1 General information

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 6 September 2019.

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 Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and 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.

(ii) New standards, amendments to standards and interpretations to existing standards adopted by the Group

The Group has applied the following new standards, amendments to standards and interpretations to existing standards for the first time for their annual reporting period commencing 1 July 2018.

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration

2 Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

(ii) New standards, amendments to standards and interpretations to existing standards adopted by the Group *(continued)*

The Group had to change its accounting policies and make certain modified retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. The impact of the adoption of these standards is disclosed in note 2(b) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(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 2019 reporting periods and have not been early adopted by the Group.

Annual Improvements Project	Annual Improvements 2015-2017 Cycle[1]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after a date to be determined.

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 *(continued)*

None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for the Group's operating leases. The new standard provides a single, on balance sheet lease accounting model for lessees. It will result in almost all leases being recognised by the lessee on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. With all other variables remain unchanged, the new accounting treatment will lead to a higher EBITDA and EBIT. The combination of a straight-line depreciation of the right-of-use asset and effective interest rate method applied to the lease liability results in a decreasing "total lease expense" over the lease term. In the initial years of a lease, the new standard will result in a profit and loss account expense which is higher than the straight-line operating lease expense typically recognised under the current standard, and a lower expense after the mid-term of the lease as the interest expense reduces. The Group's profit after tax for a particular year may be affected negatively or positively depending on the maturity of the Group's overall lease portfolio in that year.

As a lessee, the Group can either apply the standard using a full retrospective approach, or a modified retrospective approach with optional practical expedients.

The transition accounting under the full retrospective approach requires entities to retrospectively apply the new standard to each prior reporting period presented. Under this transition approach, an entity will require extensive information about its leasing transactions in order to apply the standard retrospectively. This will include historical information about lease payments and discount rates. It will also include the historical information that the entity would have used in order to make the various judgements and estimates that are necessary to apply the lessee accounting model. The information will be required as at lease commencement, and also as at each date on which an entity would have been required to recalculate lease assets and liabilities on a reassessment or modification of the lease.

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 *(continued)*

HKFRS 16, "Leases" *(continued)*

In view of the costs and significant complexity involved of applying the full retrospective approach, the Group intends to adopt the modified retrospective approach. Under the modified retrospective approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 16 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 16, i.e. 1 July 2019 and (iii) right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted by any prepaid or accrued lease expenses).

Lease expenses in the consolidated profit and loss account are replaced by depreciation and interest expenses. Adoption of the new standard will have effects to the financial performance of the Group by increasing EBITDA and EBIT, while, when comparing to the HKAS 17, higher expenses will be incurred in the early years of lease terms, diminishing over the lease terms and will result in lower expenses in the later part of the lease terms.

As at 30 June 2019, the Group has non-cancellable operating lease commitment in respect of land and buildings and transmission sites of $1,059,286,000 of which $50,378,000 relate to short term leases which does not fall within the scope of HKFRS 16.

The Group will continue to assess the full impact of the adoption of HKFRS 16 and further update of the impact will be provided in the interim report for six months ending 31 December 2019.

There are no other new standards, amendments to standards and interpretations to existing standards that are not yet effective which would be expected to have a significant impact on the Group's results of operations and financial position.

(b) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements.

The adoption of HKFRS 9 and HKFRS 15 has had no impact on the Group's operating, investing and financing cash flows.

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(i) HKFRS 9, "Financial Instruments"

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

Reclassification from held-to-maturity debt securities to financial assets at amortised cost

Bonds that would have previously been classified as held-to maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. The carrying amount of the bonds remained the same on transition to HKFRS 9 and therefore, there is no difference to be recognised in the opening retained earnings at 1 July 2018.

Available-for-sale equity instruments classified as fair value through other comprehensive income ("FVOCI")

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as availabe-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(ii) HKFRS 15, "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 from 1 July 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 July 2018; (iii) the Group recognises the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 July 2018; and (iv) the Group elects to apply the new standard only to contracts that are uncompleted contracts at 1 July 2018.

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(iii) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line items after the application of HKFRS 9 and HKFRS 15:

	For the year ended 30 June 2019		
Consolidated Profit and Loss Account	Reported under current accounting policies $000	Effect of HKFRS 15 $000	Balance without the adoption of HKFRS 15 $000
Service revenue	4,633,700	413,315	5,047,015
Handset and accessory sales	3,781,337	(340,641)	3,440,696
Revenues	8,415,037	72,674	8,487,711
Cost of inventories sold	(3,722,748)	318,308	(3,404,440)
Cost of services provided	(376,809)	-	(376,809)
Staff costs	(748,259)	-	(748,259)
Other operating expenses	(1,725,432)	(65,141)	(1,790,573)
Depreciation, amortisation and loss on disposal	(1,018,586)	(355,416)	(1,374,002)
Operating profit	823,203	(29,575)	793,628
Finance income	85,190	-	85,190
Finance costs	(107,733)	-	(107,733)
Profit before income tax	800,660	(29,575)	771,085
Income tax expense	(181,864)	4,769	(177,095)
Profit after income tax	618,796	(24,806)	593,990
Attributable to			
Equity holders of the Company	632,247	(24,618)	607,629
Non-controlling interests	(13,451)	(188)	(13,639)
	618,796	(24,806)	593,990

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(iii) Impact on the consolidated financial statements *(continued)*

Consolidated Statement of Comprehensive Income	For the year ended 30 June 2019 Reported under current accounting policies $000	Effect of HKFRS 9 $000	Effect of HKFRS 15 $000	Balance without the adoption of HKFRS 9 and HKFRS 15 $000
Profit for the year	618,796	-	(24,806)	593,990
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit and loss:				
Fair value loss on available-for-sale financial assets, net of tax	-	(2,086)	-	(2,086)
Currency translation differences	(5,365)	-	620	(4,745)
Items that will not be reclassified subsequently to profit and loss:				
Fair value loss on financial asset at fair value through other comprehensive income, net of tax	(2,086)	2,086	-	-
Other comprehensive (loss)/income for the year, net of tax	(7,451)	-	620	(6,831)
Total comprehensive income for the year	611,345	-	(24,186)	587,159
Total comprehensive income attributable to				
Equity holders of the Company	624,796	-	(23,998)	600,798
Non-controlling interests	(13,451)	-	(188)	(13,639)
	611,345	-	(24,186)	587,159

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(iii) Impact on the consolidated financial statements *(continued)*

Consolidated Balance Sheet	Reported under current accounting policies $000	Effect under HKFRS 9 $000	Effect under HKFRS 15 $000	Balance without the adoption of HKFRS 9 and HKFRS 15 $000
	At 30 June 2019			
Non-current assets				
Leasehold land and land use rights	10,038	-	-	10,038
Fixed assets	2,839,714	-	-	2,839,714
Customer acquisition costs	60,288	-	(60,288)	-
Contract assets	103,196	-	(103,196)	-
Interest in an associate	3	-	-	3
Financial asset at fair value through other comprehensive income	4,560	(4,560)	-	-
Financial assets at amortised cost	156,423	(156,423)	-	-
Held-to-maturity debt securities	-	156,423	-	156,423
Intangible assets	2,764,958	-	375,804	3,140,762
Deposits and prepayments	121,568	-	-	121,568
Deferred income tax assets	4,789	-	-	4,789
Total non-current assets	6,065,537	(4,560)	212,320	6,273,297
Current assets				
Inventories	79,472	-	-	79,472
Financial assets at amortised cost	326,912	(326,912)	-	-
Available-for-sale financial assets	-	4,560	-	4,560
Held-to-maturity debt securities	-	326,912	-	326,912
Contract assets	294,867	-	(294,867)	-
Trade receivables	442,312	-	-	442,312
Deposits and prepayments	167,287	-	-	167,287
Other receivables	124,995	-	-	124,995
Tax reserve certificate	252,362	-	-	252,362
Short-term bank deposits	173,327	-	-	173,327
Cash and cash equivalents	1,955,987	-	-	1,955,987
Total current assets	3,817,521	4,560	(294,867)	3,527,214

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(iii) Impact on the consolidated financial statements *(continued)*

	At 30 June 2019			
Consolidated Balance Sheet	Reported under current accounting policies $000	Effect under HKFRS 9 $000	Effect under HKFRS 15 $000	Balance without the adoption of HKFRS 9 and HKFRS 15 $000
Current liabilities				
Trade payables	448,469	-	-	448,469
Other payables and accruals	812,171	-	41,579	853,750
Contract liabilities	267,970	-	(267,970)	-
Current income tax liabilities	508,199	-	(16,773)	491,426
Bank borrowings	430,393	-	-	430,393
Customer prepayments and deposits	146,172	-	30,527	176,699
Deferred income	-	-	216,074	216,074
Mobile licence fee liabilities	60,041	-	-	60,041
Total current liabilities	2,673,415	-	3,437	2,676,852
Non-current liabilities				
Customer prepayments and deposits	22,650	-	-	22,650
Asset retirement obligations	41,911	-	-	41,911
Bank and other borrowings	1,872,516	-	-	1,872,516
Mobile licence fee liabilities	83,309	-	-	83,309
Deferred income tax liabilities	112,608	-	-	112,608
Total non-current liabilities	2,132,994	-	-	2,132,994
Net assets	5,076,649	-	(85,984)	4,990,665
Capital and reserves				
Share capital	112,453	-	-	112,453
Reserves	4,944,710	-	(85,502)	4,859,208
Total equity attributable to equity holders of the Company	5,057,163	-	(85,502)	4,971,661
Non-controlling interests	19,486	-	(482)	19,004
Total equity	5,076,649	-	(85,984)	4,990,665

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(iii) Impact on the consolidated financial statements *(continued)*

Consolidated Balance Sheet	30 June 2018 As previously reported $000	Effect under HKFRS 9 $000	Effect under HKFRS 15 $000	1 July 2018 $000
Non-current assets				
Leasehold land and land use rights	11,315	-	-	11,315
Fixed assets	2,970,680	-	-	2,970,680
Customer acquisition costs	-	-	54,511	54,511
Contract assets	-	-	159,520	159,520
Interest in an associate	3	-	-	3
Financial asset at fair value through other comprehensive income	-	6,646	-	6,646
Financial assets at amortised cost	-	486,599	-	486,599
Held-to-maturity debt securities	486,599	(486,599)	-	-
Intangible assets	3,516,902	-	(466,474)	3,050,428
Deposits and prepayments	117,135	-	-	117,135
Deferred income tax assets	5,542	-	-	5,542
Total non-current assets	7,108,176	6,646	(252,443)	6,862,379
Current assets				
Inventories	161,465	-	-	161,465
Financial assets at amortised cost	-	80,092	-	80,092
Available-for-sale financial assets	6,646	(6,646)	-	-
Held-to-maturity debt securities	80,092	(80,092)	-	-
Contract assets	-	-	305,299	305,299
Trade receivables	364,757	-	-	364,757
Deposits and prepayments	172,877	-	-	172,877
Other receivables	43,645	-	-	43,645
Tax reserve certificate	252,362	-	-	252,362
Short-term bank deposits	96,155	-	-	96,155
Cash and cash equivalents	1,731,951	-	-	1,731,951
Total current assets	2,909,950	(6,646)	305,299	3,208,603

2 Summary of significant accounting policies *(continued)*

(b) Changes in accounting policies *(continued)*

(iii) Impact on the consolidated financial statements *(continued)*

Consolidated Balance Sheet	30 June 2018 As previously reported $000	Effect under HKFRS 9 $000	Effect under HKFRS 15 $000	1 July 2018 $000
Current liabilities				
Trade payables	521,620	-	-	521,620
Other payables and accruals	852,081	-	(37,696)	814,385
Contract liabilities	-	-	262,432	262,432
Current income tax liabilities	457,389	-	12,004	469,393
Bank borrowings	135,789	-	-	135,789
Customer prepayments and deposits	247,081	-	(22,686)	224,395
Deferred income	222,996	-	(222,996)	-
Mobile licence fee liabilities	60,041	-	-	60,041
Total current liabilities	2,496,997	-	(8,942)	2,488,055
Non-current liabilities				
Customer prepayments and deposits	98,087	-	-	98,087
Asset retirement obligations	43,027	-	-	43,027
Bank and other borrowings	2,294,592	-	-	2,294,592
Mobile licence fee liabilities	127,991	-	-	127,991
Deferred income tax liabilities	125,708	-	-	125,708
Total non-current liabilities	2,689,405	-	-	2,689,405
Net assets	4,831,724	-	61,798	4,893,522
Capital and reserves				
Share capital	112,426	-	-	112,426
Reserves	4,686,655	-	61,504	4,748,159
Total equity attributable to equity holders of the Company	4,799,081	-	61,504	4,860,585
Non-controlling interests	32,643	-	294	32,937
Total equity	4,831,724	-	61,798	4,893,522

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

3 **Segment reporting** *(continued)*

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

(a) Segment results

	For the year ended 30 June 2019			
	Hong Kong $000	**Macau $000**	**Elimination $000**	**Consolidated $000**
External revenue	**7,966,110**	**448,927**	**-**	**8,415,037**
Inter-segment revenue	**331,346**	**5,804**	**(337,150)**	**-**
Total revenue	**8,297,456**	**454,731**	**(337,150)**	**8,415,037**
Timing of revenue recognition				
At a point in time	**3,765,075**	**346,037**	**(329,775)**	**3,781,337**
Over time	**4,532,381**	**108,694**	**(7,375)**	**4,633,700**
	8,297,456	**454,731**	**(337,150)**	**8,415,037**
EBITDA #	**1,849,629**	**(7,840)**	**-**	**1,841,789**
Depreciation, amortisation and loss on disposal	**(980,104)**	**(38,499)**	**17**	**(1,018,586)**
Operating profit/(loss)	**869,525**	**(46,339)**	**17**	**823,203**
Finance income				**85,190**
Finance costs				**(107,733)**
Profit before income tax				**800,660**
Other information				
Additions to fixed assets	**545,714**	**9,734**	**-**	**555,448**
Depreciation	**617,342**	**37,242**	**(9)**	**654,575**
Amortisation of leasehold land and land use rights	**643**	**-**	**-**	**643**
Amortisation of intangible assets	**285,470**	**-**	**-**	**285,470**
Amortisation of customer acquisition costs	**53,675**	**1,101**	**-**	**54,776**
Loss on disposal of fixed assets	**22,974**	**156**	**(8)**	**23,122**
Impairment loss of trade receivables	**4,043**	**815**	**-**	**4,858**
Impairment loss of inventories	**1,205**	**104**	**-**	**1,309**

3 Segment reporting *(continued)*

(a) Segment results *(continued)*

	For the year ended 30 June 2018			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
External revenue	9,280,864	707,628	-	9,988,492
Inter-segment revenue	563,782	6,533	(570,315)	-
Total revenue	9,844,646	714,161	(570,315)	9,988,492
Timing of revenue recognition				
At a point in time	4,922,958	568,465	(562,189)	4,929,234
Over time	4,921,688	145,696	(8,126)	5,059,258
	9,844,646	714,161	(570,315)	9,988,492
EBITDA #	2,114,864	21,350	-	2,136,214
Depreciation, amortisation and loss on disposal	(1,241,002)	(48,799)	28	(1,289,773)
Operating profit/(loss)	873,862	(27,449)	28	846,441
Finance income				61,423
Finance costs				(120,909)
Profit before income tax				786,955
Other information				
Additions to fixed assets	543,895	19,324	-	563,219
Additions to intangible assets	506,585	8,379	-	514,964
Depreciation	609,991	37,910	(15)	647,886
Amortisation of leasehold land and land use rights	672	-	-	672
Amortisation of intangible assets	615,701	10,364	-	626,065
Loss on disposal of fixed assets	14,638	525	(13)	15,150
Impairment loss of trade receivables	9,196	1,615	-	10,811
(Reversal of impairment loss)/impairment loss of inventories	(2,932)	477	-	(2,455)

3 Segment reporting *(continued)*

(a) Segment results *(continued)*

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

EBITDA is defined as earnings before interest, tax, depreciation, amortisation and loss on disposal.

(b) Segment assets/(liabilities)

	At 30 June 2019			
	Hong Kong $000	**Macau $000**	**Unallocated $000**	**Consolidated $000**
Segment assets	**8,878,622**	**259,387**	**745,049**	**9,883,058**
Segment liabilities	**(4,059,149)**	**(126,454)**	**(620,806)**	**(4,806,409)**

	At 30 June 2018			
	Hong Kong $000	Macau $000	Unallocated $000	Consolidated $000
Segment assets	8,886,222	300,660	831,244	10,018,126
Segment liabilities	(4,479,696)	(123,609)	(583,097)	(5,186,402)

The total of non-current assets other than interest in an associate, financial asset at fair value through other comprehensive income, financial assets at amortised cost and deferred income tax assets located in Hong Kong is $5,718,899,000 (2018: $6,397,256,000), and the total of these non-current assets located in Macau is $180,863,000 (2018: $218,776,000).

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

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

4 Finance income

	2019 **$000**	2018 $000
Interest income from listed debt securities	**23,157**	29,792
Interest income from bank deposits	**47,358**	29,353
Gain on disposal of listed debt securities	**-**	1,391
Gain on repurchase of guaranteed notes	**-**	12
Accretion income	**2,510**	875
Others	**12,165**	-
	85,190	61,423

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

	2019 **$000**	2018 $000
Interest expense on bank and other borrowings	**84,937**	88,784
Bank charges for credit card instalment	**1,466**	7,621
Accretion expenses		
Mobile licence fee liabilities	**17,668**	22,456
Asset retirement obligations	**1,661**	1,467
Net exchange loss on financing activities	**2,001**	581
	107,733	120,909

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

6 Profit before income tax

Profit before income tax is stated after charging and crediting the following:

	2019 $000	2018 $000
Charging:		
Operating lease rentals for land and buildings, transmission sites and leased lines	**1,038,322**	1,062,290
Impairment loss of trade receivables (note 10)	**4,858**	10,811
Impairment loss of inventories	**1,309**	-
Auditor's remuneration		
- Audit services	**2,638**	2,519
- Non-audit services	**1,244**	1,071
Net exchange loss	**-**	8,871
Loss on disposal of fixed assets	**23,122**	15,150
Depreciation of fixed assets, leasehold land and land use rights	**655,218**	648,558
Amortisation of handset subsidies	**-**	340,595
Amortisation of mobile licence fees	**285,470**	285,470
Amortisation of customer acquisition costs	**54,776**	-
Crediting:		
Net exchange gain	**2,035**	-
Reversal of impairment loss of inventories	**-**	2,455

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

	2019 **$000**	2018 $000
Current income tax		
Hong Kong profits tax	**192,570**	187,590
Overseas tax	**1,176**	1,374
Under-provision in prior years		
Hong Kong profits tax	**465**	1,280
Overseas tax	**-**	1
Total current income tax expense	**194,211**	190,245
Deferred income tax		
Decrease in deferred income tax assets	**753**	588
Decrease in deferred income tax liabilities	**(13,100)**	(11,030)
Total deferred income tax benefit	**(12,347)**	(10,442)
Income tax expense	**181,864**	179,803

7 Income tax expense *(continued)*

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

	2019 **$000**	2018 $000
Profit before income tax expense	**800,660**	786,955
Tax at the Hong Kong tax rate of 16.5% (2018: 16.5%)	**132,109**	129,848
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Interest income	**(8,360)**	(5,809)
Net exchange loss/(gain)	**354**	(343)
Others	**11**	209
Subtotal	**124,114**	123,905
Difference in overseas tax rates	**2,034**	1,554
Under-provision in prior years	**465**	1,281
Tax loss not recognised	**9,807**	9,599
Utilisation of previously unrecognised tax losses	**(119)**	(85)
Temporary differences not recognised	**45,563**	43,549
Income tax expense	**181,864**	179,803

8 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 financial year and excluding shares held for Share Award Scheme.

	2019 **Cents**	2018 Cents
Total basic earnings per share attributable to the equity holders of the Company	**56.3**	55.4

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.

	2019 Cents	2018 Cents
Total diluted earnings per share attributable to the equity holders of the Company	**56.3**	55.4

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

	2019 $000	2018 $000
Profit attributable to the equity holders of the Company used in calculating basic earnings per share and diluted earnings per share	**632,247**	615,243

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

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for Share Award Scheme)	**1,122,123,600**	1,110,194,100
Adjustments for calculation of diluted earnings per share:		
Effect of Awarded Shares	**559,683**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,122,683,283**	1,110,194,100

9 Dividends

	2019 **$000**	2018 $000
Interim dividend, paid, of 18 cents (2018: 18 cents) per fully paid share	**201,822**	200,336
Final dividend, proposed, of 21 cents (2018: 23 cents) per fully paid share	**235,881**	257,903
	437,703	458,239

For the dividends attributable to the years ended 30 June 2019 and 2018, scrip dividend elections were offered to shareholders.

At a meeting held on 6 September 2019, the directors proposed a final dividend of 21 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 2020.

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. An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2019 **$000**	2018 $000
Current to 30 days	**381,416**	276,802
31 - 60 days	**43,166**	45,066
61 - 90 days	**5,524**	4,705
Over 90 days	**12,206**	38,184
	442,312	364,757

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 $4,858,000 for the impairment of its trade receivables during the year ended 30 June 2019.

11 Trade payables

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

	2019	2018
	\$000	\$000
Current to 30 days	**151,275**	377,911
31 - 60 days	**86,820**	42,004
61 - 90 days	**45,841**	12,016
Over 90 days	**164,533**	89,689
	448,469	521,620

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 30 June 2019 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 2019 of 21 cents per share (2017/18: 23 cents). The proposed final dividend, together with the interim dividend of 18 cents per share paid by the Company during the year (2017/18: 18 cents), makes a total dividend for the year of 39 cents per share.

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme (the "Scrip Dividend Scheme"). The Directors may, after having made enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in relation to the Scrip Dividend Scheme, exclude any shareholder outside Hong Kong from the Scrip Dividend Scheme provided that the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Such shareholders will receive the proposed final dividend in cash. A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Tuesday, 19 November 2019.

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

The proposed final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about Wednesday, 18 December 2019 to shareholders whose names appear on the Register of Members of the Company on Monday, 11 November 2019.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Friday, 1 November 2019. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 29 October 2019 to Friday, 1 November 2019, 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, 17^{th} Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 28 October 2019.

The record date for entitlement to the proposed final dividend is Monday, 11 November 2019. For determining the entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Monday, 11 November 2019 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 Friday, 8 November 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2019, the Company repurchased 7,350,000 shares of the Company on The Stock Exchange of Hong Kong Limited. Of these repurchased shares, 6,800,000 shares were cancelled prior to 30 June 2019 and the balance of 550,000 shares were cancelled subsequently after 30 June 2019. 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
		$	$	$
July 2018	744,000	8.00	7.93	5,938,000
September 2018	819,500	8.14	7.83	6,506,000
April 2019	585,000	8.20	8.16	4,785,000
May 2019	3,961,500	8.15	7.65	31,287,000
June 2019	1,240,000	7.66	7.30	9,219,000
	7,350,000			57,735,000

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 a total of 1,092,000 shares of the Company at a total consideration of $8,959,000, at no time during the year ended 30 June 2019 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 2019 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 2019.

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 2019, 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 terms 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, 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 30 October 2018 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 73% 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, a Non-Executive Director of the Company, 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 2018/19 Annual Report.

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

Hong Kong, 6 September 2019

As at the date of this announcement, the Executive Directors of the Company are Ms. Anna YIP (Chief Executive Officer), Mr. CHAN Kai-lung, Patrick and Mr. CHAU Kam-kun, Stephen; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (Deputy Chairman), Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Mr. David Norman PRINCE, Mr. SIU Hon-wah, Thomas and Mr. John Anthony MILLER; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. GAN Fock-kin, Eric, Mrs. IP YEUNG See-ming, Christine and Mr. LAM Kwok-fung, Kenny.