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SmarTone Telecommunications Holdings Limited

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

2012 / 2013 ANNUAL RESULTS ANNOUNCEMENT

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

- Group service revenue down 1% with local mobile service revenue increasing 4%
- Group EBITDA unchanged at $2,989 million
- Higher depreciation and amortisation arising from new investments in spectrum and capital expenditure
- Net profit fell 18% to $843 million
- Proposed final dividend of $0.22 per share, representing 60% of net profit in second-half of the financial year, making a full year dividend of $0.66

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 30 June 2013.

Financial Highlights

Group total revenue increased 21% to $12,067 million. Handset and accessories sales increased 52% while service revenue dropped 1%. This was attributed to a 4% growth in local mobile service revenue offset by an 18% decline in roaming. The local mobile business registered EBITDA growth of 9%, compensating for the lower EBITDA from roaming and scaling down of the wireless fixed broadband business. With effective cost control, group EBITDA remained unchanged at $2,989 million. Investment in 3G and 4G was increased to meet rising data usage, but this data usage has not been adequately monetised. The higher depreciation and amortisation arising from the increased investment resulted in a net profit decline of 18% to $843 million.

Dividend

Your Board proposes a final dividend of 22 cents per share, representing 60% of net profit in the second-half of the financial year. Together with the interim dividend of 44 cents, full year dividend amounts to 66 cents per share. In light of regulatory and market uncertainties, the Company will reduce its dividend payout ratio in future to 60% to help maintain a prudent gearing level. Shareholders will have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

Hong Kong local mobile service revenue grew 4%, reflecting increased revenues from both 3G speed-capped plans and higher tier plans. Revenue growth of high tier plans can be attributed to a modest rise in related ARPU. The 3G speed-capped plan is revenue accretive with 60% of subscribers being new customers and 20% customers upgrading from lower priced plans.

Hong Kong customer numbers grew 11% to 1.82 million, reflecting a 13% increase in mobile customer numbers and partly offset by a decline in wireless fixed broadband customers. The Company's 3G speed-capped plan, created to serve previously untapped customer segments, has increased our market share. Postpaid mobile churn rate improved further from 1.4% to 1.0%. Reflecting a reduction in roaming and dilution from the 3G speed-capped plan, fully blended ARPU declined 5% to $262.

SmarTone has long believed the power of differentiation and has striven to stand out in terms of proprietary services, network performance and customer care. In the year under review it has brought a number of services and apps to market, each offering distinctive propositions and benefits designed to appeal to selected customer segments. These proprietary services and apps have increased revenue and customer loyalty.

Leadership in network performance was further consolidated by the Company through improving the quality, coverage and speed of its 3G and 4G networks. The 1800MHz 4G service launched in the year under review provides customers with territory-wide coverage and superior in-building penetration. The Company acquired 2600MHz spectrum, which will be rolled out at high traffic locations in due course to expand 4G network capacity in those areas. In parallel, the Company has accelerated the migration of 2G customers to 3G and 4G networks to free up spectrum for further re-farming. All these initiatives reflect the Company's focus on constantly improving its customers' mobile broadband experience.

The Company has continued to improve on all aspects of the customer experience, from online, to hotline and in stores. SmarTone has recently been recognised as the city's preferred mobile telecom provider in public polls run by a leading weekly magazine and a widely-followed Internet forum in Hong Kong.

Data usage has continued to rise inexorably as consumers use more applications on smart mobile devices. The Company has invested heavily in both 3G and 4G to meet these demands. Investment, combined with other cost pressures, has affected profitability.

In Macau, local service revenues were stable but overall performance was adversely impacted by roaming revenue decline.

Prospects

The industry continues to face challenges in adequately monetising increasing data usage as we invest heavily in 3G and 4G. The Government's proposed 3G spectrum renewal policy is likely to further increase spectrum fees, capital expenditures and operating expenses. The Company will conserve cash by reducing the dividend payout ratio to 60%, to ensure it has the financial resources to make the investment required to support the increasing data usage and improve network performance.

The Company maintained its EBITDA despite strong competition and rising cost pressures. The Company's business strategy of focusing on offering customers the highest level of service has proven effective. Its powerful network, exclusive apps and outstanding customer care stand it in good stead to capture opportunities in the future.

Appreciation

During the year under review, Mrs. Ip Yeung See-ming, Christine was appointed as Independent Non-Executive Director and Mr. Yung Wing-chung resigned as Non-Executive Director of your Company. I would like to welcome Mrs. Ip to the Board and thank Mr. Yung for his valuable contributions to the Group over the past years.

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 11 September 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

The Group's service revenue fell marginally by 1% to $5,657 million (2011/12: $5,723 million) affected by a weak roaming business and the scaling down of wireless fixed broadband business. EBITDA remained broadly stable at $2,989 million (2011/12: $2,992 million). Excluding both roaming and wireless fixed broadband, the Group's local mobile business reported steady growth, with revenue and EBITDA growth at 4% and 9% respectively. Profit attributable to equity holders of the Company decreased by 18% to $843 million (2011/12: $1,023 million) as depreciation and amortisation was higher amid heavy investments in spectrum and network infrastructure.

Revenues rose by $2,115 million or 21% to $12,067 million (2011/12: $9,952 million).

- The Group's service revenue fell by $66 million or 1% to $5,657 million (2011/12: $5,723 million) due to decline in roaming revenue and the scaling down of wireless fixed broadband business, which was partly offset by a 4% growth in local mobile service revenue.

  The Group achieved an 11% year-on-year growth in its Hong Kong customer base, reflecting a 13% growth in mobile customer numbers partly offset by a reduction in wireless fixed broadband customers. Fully blended ARPU decreased by 5% to $262 (2011/12: $277) amidst the decline in roaming revenue and dilution from our 3G speed-capped plan.

- Handset and accessory sales rose by $2,181 million or 52% to $6,410 million (2011/12: $4,229 million) driven by popularity of smart devices. Both sales volume and average unit selling price increased.

Cost of inventories sold rose by $2,025 million or 48% to $6,214 million (2011/12: $4,189 million) broadly in line with the increase in handset and accessory sales.

Staff costs grew by $53 million or 8% to $698 million (2011/12: $645 million) driven by increase in headcount and annual salary adjustment.

Other operating expenses rose by $39 million or 2% to $2,165 million (2011/12: $2,126 million). Higher network operating costs, rental and utilities and general administrative expenses were partly offset by lower cost of services provided, and sales and marketing expenses.

Depreciation and gain or loss on disposal increased by $52 million or 10% to $567 million (2011/12: $515 million). Handset subsidy amortisation rose by $119 million or 12% to $1,142 million (2011/12: $1,023 million) as a result of increase in customer acquisitions and retentions using subsidised smartphone devices during first half of the financial year. Mobile licence fee amortisation rose by $52 million or 57% to $144 million (2011/12: $92 million) mainly due to the full 12 month impact of the amortisation charge of licence fee for 850MHz radio spectrum which commence amortisation in May 2012.

Finance income fell by $8 million to $19 million (2011/12: $27 million) due to lower return on surplus fund. Finance costs rose by $5 million to $140 million (2011/12: $135 million). Increase in interest on bank and other borrowings of $22 million was partly offset by lower bank charges for credit card instalment of handset bundle subscriptions and accretion expenses on mobile licence fee liabilities.

Income tax expense amounted to $167 million (2011/12: $212 million).

Macau operations reported an operating profit of $23 million (2011/12: $72 million) amid lower contribution from roaming business.

Capital structure, liquidity and financial resources

During the year under review, the Group was financed by share capital, internally generated funds and external borrowings. As at 30 June 2013, the Group recorded share capital of $104 million, total equity of $3,048 million and total borrowings of $2,595 million.

The Group increased long-term borrowings, tenor range from 5 to 10 years, to take advantage of the historically low US Treasury yields during the year under review. These borrowings provided the Group with the flexibility for future investment in spectrum and network infrastructure at low funding costs.

As at 30 June 2013, the Group had cash and bank balances (including pledged bank deposits and short-term bank deposits) amounted to $2,510 million (30 June 2012: $1,334 million). The Group had bank and other borrowings of $2,595 million as at 30 June 2013 (30 June 2012: $66 million), of which 78% were denominated in United States dollars and were arranged on a fixed rate basis. Net debt, after deducting cash and bank balances, amounted to $85 million as at 30 June 2013 (30 June 2012: net cash of $1,268 million). The gearing ratio, calculated by dividing net debt with total equity, was 3% as at 30 June 2013.

The Group had net cash generated from operating activities and interest received amounted to $2,658 million and $11 million respectively during the year ended 30 June 2013. The Group's major outflows of funds during the year were payments for additions of handset subsidies, purchase of fixed assets, mobile licence fees and dividends.

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 2014 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 or invested in investment grade debt securities. Bank deposits are predominantly maintained in Hong Kong dollars, United States dollars and Renminbi. Investments in debt securities are denominated in Hong Kong dollar, United States dollar or Renminbi, and having a maximum maturity of three years. The Group's policy is to hold its investments in debt securities until maturity.

The Group is required to arrange for banks to issue performance bonds and letter of credit on its behalf. The Group may partially or fully collateralise such instruments by bank deposits to lower the issuance costs.

Charges on assets

As at 30 June 2013, certain bank deposits of the Group, in aggregate amount of $6 million (30 June 2012: $9 million), were pledged for securing guarantees issued by the banks. In addition, certain Hong Kong dollars denominated bank borrowings are secured by certain assets of the Group and the carrying amount of the pledged assets amounted to $90 million (30 June 2012: $92 million) as at 30 June 2013.

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 2013. 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, trade payables, bank deposits, bank and other borrowings denominated in United States dollars and Renminbi. 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 2013 under these performance bonds was $648 million (30 June 2012: $709 million).

Employees and share option scheme

The Group had 2,184 full-time employees as at 30 June 2013 (30 June 2012: 2,116), with the majority of them based in Hong Kong. Total staff costs were $698 million for the year ended 30 June 2013 (2011/12: $645 million).

Employees receive a remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and depend, inter-alia, on both the Group's performance and the individual employee's performance. Benefits include retirement schemes, medical and dental care insurance. Employees are provided with both internal and external training appropriate to each individual's requirements.

The Group has share option schemes 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 new share options were granted; 607,000 share options were exercised; and 650,000 share options were cancelled or lapsed. 33,240,500 (30 June 2012: 34,497,500) share options were outstanding as at 30 June 2013.

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 2013 and the consolidated balance sheet as at 30 June 2013 of the Company and its subsidiaries (the "Group"), along with selected explanatory notes.

Consolidated Profit and Loss Account

For the year ended 30 June 2013

	Note	**2013** **$000**	2012 $000
Service revenue		**5,656,675**	5,723,166
Handset and accessory sales		**6,409,857**	4,228,973
Revenues	4	**12,066,532**	9,952,139
Cost of inventories sold		**(6,214,378)**	(4,189,220)
Staff costs		**(698,347)**	(645,473)
Other operating expenses		**(2,164,598)**	(2,125,833)
Depreciation, amortisation and gain/loss on disposal		**(1,852,975)**	(1,630,097)
Operating profit		**1,136,234**	1,361,516
Finance income	5	**18,692**	26,529
Finance costs	6	**(139,547)**	(135,138)
Profit before income tax	7	**1,015,379**	1,252,907
Income tax expense	8	**(166,957)**	(212,212)
Profit after income tax		**848,422**	1,040,695
Attributable to			
Equity holders of the Company		**843,186**	1,022,880
Non-controlling interests		**5,236**	17,815
		848,422	1,040,695
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	9		
Basic		**81.3**	99.2
Diluted		**81.0**	98.9
Dividends	10		
Interim dividend paid		**456,562**	473,831
Final dividend proposed		**228,347**	549,462
		684,909	1,023,293

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	2013 **$000**	2012 $000
Profit for the year	**848,422**	1,040,695
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain/(loss) on financial investments, net of tax	**1,381**	(400)
Currency translation differences	**1,471**	1,669
Other comprehensive income for the year, net of tax	**2,852**	1,269
Total comprehensive income for the year	**851,274**	1,041,964
Total comprehensive income attributable to		
Equity holders of the Company	**846,038**	1,024,149
Non-controlling interests	**5,236**	17,815
	851,274	1,041,964

Consolidated Balance Sheet

At 30 June 2013

	Note	**2013 $000**	2012 $000
Non-current assets			
Leasehold land and land use rights		**15,306**	15,650
Fixed assets		**3,185,637**	2,529,922
Interest in an associate		**3**	3
Intangible assets		**2,989,220**	2,601,660
Deposits and prepayments		**79,786**	70,084
Deferred income tax assets		**7,549**	3,670
		6,277,501	5,220,989
Current assets			
Inventories		**103,164**	255,236
Financial investments		**3,279**	82,678
Trade receivables	11	**398,877**	341,311
Deposits and prepayments		**167,984**	157,665
Other receivables		**167,100**	77,380
Pledged bank deposits		**6,269**	8,727
Short-term bank deposits		**1,858,466**	56,469
Cash and cash equivalents		**645,502**	1,268,400
		3,350,641	2,247,866
Current liabilities			
Trade payables	12	**536,654**	615,533
Other payables and accruals		**776,758**	892,104
Current income tax liabilities		**177,922**	174,094
Bank borrowings		**65,153**	-
Customer prepayments and deposits		**757,989**	866,982
Deferred income		**204,630**	192,731
Mobile licence fee liabilities		**176,948**	167,156
		2,696,054	2,908,600
Net current assets/(liabilities)		**654,587**	(660,734)
Total assets less current liabilities		**6,932,088**	4,560,255
Non-current liabilities			
Customer prepayments and deposits		**316,221**	347,856
Asset retirement obligations		**62,132**	61,296
Bank and other borrowings		**2,529,646**	66,000
Mobile licence fee liabilities		**615,120**	707,187
Deferred income tax liabilities		**360,991**	203,355
		3,884,110	1,385,694
Net assets		**3,047,978**	3,174,561

Consolidated Balance Sheet

At 30 June 2013

	2013 **$000**	2012 $000
Capital and reserves		
Share capital	**103,794**	103,672
Reserves	**2,882,121**	3,007,266
Total equity attributable to equity holders of the Company	**2,985,915**	3,110,938
Non-controlling interests	**62,063**	63,623
Total equity	**3,047,978**	3,174,561

Notes to the Consolidated Financial Statements

1 General information

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ($000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 11 September 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

3 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by certain available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3 Basis of preparation *(continued)*

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

The following amendment to standard is mandatory and relevant to the Group for the financial year beginning on 1 July 2012.

HKAS 1 (Amendment)	Presentation of Financial Statements[1]

[1] Effective for annual periods beginning on or after 1 July 2012.

The adoption of the above amendment to the existing standard has no significant impact on these financial statements.

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

The following new and revised standards, amendments to standards and interpretations to existing standards have been published and are mandatory for the Group's accounting policies beginning on or after 1 July 2013 or later periods but which the Group has not early adopted.

Annual Improvements Project	Annual Improvements 2009-2011 Cycle[1]
HKAS 19 (Amendment)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 1 (Amendment)	First Time Adoption on Government Loans[1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 13	Fair Value Measurements[1]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK (IFRIC) – Int 21	Levies[2]

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

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

4 Segment reporting

The chief operating decision-maker (the "CODM") has been identified as the Group's senior executive management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM considers the business from a geographic perspective. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortisation and gain/loss on disposal ("EBITDA") and operating profit.

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

(a) Segment results

	For the year ended 30 June 2013			
	Hong Kong **$000**	**Macau** **$000**	**Elimination** **$000**	**Consolidated** **$000**
Revenues	**11,817,947**	**734,927**	**(486,342)**	**12,066,532**
EBITDA	**2,901,656**	**87,553**	**-**	**2,989,209**
Depreciation, amortisation and gain on disposal	**(1,788,875)**	**(64,321)**	**221**	**(1,852,975)**
Operating profit	**1,112,781**	**23,232**	**221**	**1,136,234**
Finance income				**18,692**
Finance costs				**(139,547)**
Profit before income tax				**1,015,379**
Other information				
Additions to fixed assets	**1,195,364**	**54,047**	**-**	**1,249,411**
Additions to intangible assets	**1,680,166**	**19,516**	**-**	**1,699,682**
Depreciation	**533,158**	**41,313**	**(221)**	**574,250**
Amortisation of leasehold land and land use rights	**687**	**-**	**-**	**687**
Amortisation of intangible assets	**1,262,950**	**22,584**	**-**	**1,285,534**
(Gain)/loss on disposal of fixed assets	**(7,920)**	**424**	**-**	**(7,496)**
Impairment loss of trade receivables	**16,150**	**522**	**-**	**16,672**
Impairment loss of inventories	**7,650**	**1,070**	**-**	**8,720**

4 **Segment reporting** *(continued)*

(a) Segment results *(continued)*

	For the year ended 30 June 2012			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
Revenues	9,669,376	384,743	(101,980)	9,952,139
EBITDA	2,857,715	133,898	-	2,991,613
Depreciation, amortisation and loss on disposal	(1,569,117)	(61,436)	456	(1,630,097)
Operating profit	1,288,598	72,462	456	1,361,516
Finance income				26,529
Finance costs				(135,138)
Profit before income tax				1,252,907
Other information				
Additions to fixed assets	802,610	136,380	-	938,990
Additions to intangible assets	1,190,983	17,186	-	1,208,169
Depreciation	464,532	44,637	(456)	508,713
Amortisation of leasehold land and land use rights	684	-	-	684
Amortisation of intangible assets	1,098,112	16,804	-	1,114,916
Loss/(gain) on disposal of fixed assets	5,789	(5)	-	5,784
Impairment loss of financial investments	23,381	-	-	23,381
Impairment loss of trade receivables	16,192	282	-	16,474
Impairment loss of inventories	4,824	416	-	5,240

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

4 **Segment reporting** *(continued)*

(b) Segment assets/(liabilities)

	At 30 June 2013			
	Hong Kong	**Macau**	**Unallocated**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Segment assets	**9,215,100**	**402,211**	**10,831**	**9,628,142**
Segment liabilities	**(5,880,322)**	**(160,929)**	**(538,913)**	**(6,580,164)**

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

The total of non-current assets other than interest in an associate and deferred income tax assets located in Hong Kong is $5,996,806,000 (2012: $4,952,564,000), and the total of these non-current assets located in Macau is $273,143,000 (2012: $264,752,000).

Unallocated assets consist of interest in an associate, financial investments and deferred income tax assets.

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

5 **Finance income**

	2013	2012
	$000	$000
Interest income from listed debt securities	**443**	9,886
Interest income from unlisted debt securities	**-**	4,684
Interest income from bank deposits	**17,607**	11,737
Accretion income	**642**	222
	18,692	26,529

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

6 Finance costs

	2013 **$000**	2012 $000
Interest expense		
Bank and other borrowings wholly repayable within 5 years	**832**	3,573
Bank and other borrowings not wholly repayable within 5 years	**25,565**	263
Bank charges for credit card instalment	**19,991**	30,503
Accretion expenses		
Mobile licence fee liabilities	**90,821**	98,379
Asset retirement obligations	**2,338**	2,420
	139,547	135,138

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

7 Profit before income tax

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

	2013 **$000**	2012 $000
Charging:		
Cost of services provided	**476,774**	564,521
Operating lease rentals for land and buildings, transmission sites and leased lines	**902,948**	782,734
Impairment loss of financial investments	**-**	23,381
Impairment loss of trade receivables (note 11)	**16,672**	16,474
Impairment loss of inventories	**8,720**	5,240
Loss on disposal of fixed assets	**-**	5,784
Auditor's remuneration	**2,319**	2,276
Crediting:		
Gain on disposal of fixed assets	**7,496**	-
Net exchange gain	**2,499**	1,570

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the tax rates prevailing in the countries in which the Group operates.

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

	2013 **$000**	2012 $000
Current income tax		
Hong Kong profits tax	**9,507**	161,778
Overseas tax	**3,773**	9,786
(Over)/under-provision in prior year tax charge		
Hong Kong profits tax	**(80)**	149
	13,200	171,713
Deferred income tax assets	**(3,879)**	(3,670)
Deferred income tax liabilities	**157,636**	44,169
Income tax expense	**166,957**	212,212

(b) The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate of the home country of the Group is as follows:

	2013 **$000**	2012 $000
Profit before income tax	**1,015,379**	1,252,907
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2012: 16.5%)	**167,538**	206,729
Effect of different tax rates in other countries	**(1,488)**	523
Expenses not deductible for tax purposes	**131**	300
Income not subject to tax	**(3,260)**	(3,991)
Utilisation of previously unrecognised tax losses	**-**	(1,670)
(Over)/under-provision in prior year	**(80)**	149
Tax loss not recognised	**759**	7
Temporary differences not recognised	**3,357**	10,165
Income tax expense	**166,957**	212,212

9 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	2013	2012
Profit attributable to equity holder of the Company ($000)	**843,186**	1,022,880
Weighted average number of ordinary shares in issue	**1,037,392,866**	1,030,625,581
Basic earnings per share (cents per share)	**81.3**	99.2

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For dilutive share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013	2012
Profit attributable to equity holders of the Company ($000)	**843,186**	1,022,880
Weighted average number of ordinary shares in issue	**1,037,392,866**	1,030,625,581
Adjustment for dilutive share options	**3,409,162**	4,041,620
Weighted average number of ordinary shares for diluted earnings per share	**1,040,802,028**	1,034,667,201
Diluted earnings per share (cents per share)	**81.0**	98.9

10 Dividends

	2013 **$000**	2012 $000
Interim dividend, paid, of 44 cents (2012: 46 cents) per share	**456,562**	473,831
Final dividend, proposed, of 22 cents (2012: 53 cents) per share	**228,347**	549,462
	684,909	1,023,293

For the dividends attributable to the year ended 30 June 2013 and 2012, scrip dividend elections were offered to shareholders.

At a meeting held on 11 September 2013, the directors proposed a final dividend of 22 cents per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2014.

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

The aggregate amounts of the dividends paid and proposed during 2013 and 2012 have been disclosed in the consolidated profit and loss account in accordance with the Hong Kong Companies Ordinance.

11 Trade receivables

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

	2013 **$000**	2012 $000
Current to 30 days	**372,882**	300,119
31 - 60 days	**9,719**	13,834
61 - 90 days	**1,849**	8,977
Over 90 days	**14,427**	18,381
	398,877	341,311

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

The Group has recognised a loss of $16,672,000 (2012: $16,474,000) for the impairment of its trade receivables during the year ended 30 June 2013. The loss has been included in “other operating expenses” in the consolidated profit and loss account. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

12 Trade payables

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

	2013	2012
	$000	$000
Current to 30 days	**288,925**	472,264
31 - 60 days	**142,243**	121,304
61 - 90 days	**38,419**	3,016
Over 90 days	**67,067**	18,949
	536,654	615,533

DIVIDENDS

The Directors recommended the payment of a final dividend for the year ended 30 June 2013 of 22 cents per share (2011/12: 53 cents). The proposed final dividend, together with the interim dividend of 44 cents per share paid by the Company during the year (2011/12: 46 cents), makes a total dividend for the year of 66 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 Wednesday, 20 November 2013.

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 Tuesday, 17 December 2013 to shareholders whose names appear on the Register of Members of the Company on Monday, 11 November 2013.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company is scheduled to be held on Friday, 1 November 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Wednesday, 30 October 2013 to Friday, 1 November 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29 October 2013.

The record date for entitlement to the proposed final dividend is Monday, 11 November 2013. 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 2013 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 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

At no time during the year ended 30 June 2013 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 as well as the internal audit reports of the Group for the year ended 30 June 2013. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosure of data and explanations shown in the financial statements. The Committee was also satisfied with the internal control measures adopted by the Group.

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

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the year ended 30 June 2013, the Company has applied the principles and complied with the requirements set out in the "Corporate Governance Code and Corporate Governance Report" (the "Corporate Governance Code") contained in Appendix 14 of the Listing Rules with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. Non-Executive Directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's bye-laws. As such, no Director has a term of appointment longer than three years.

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

Full details of the report on corporate governance will be set out in the Company's 2012/13 Annual Report.

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

Hong Kong, 11 September 2013

As at the date of this announcement, the Executive Directors of the Company are Mr. Douglas LI and Mr. CHAN Kai-lung, Patrick; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond, Mr. CHEUNG Wing-yui, Mr. David Norman PRINCE, Mr. SIU Hon-wah, Thomas, Mr. TSIM Wing-kit, Alfred and Mr. John Anthony MILLER; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. YANG Xiang-dong, Mr. GAN Fock-kin, Eric and Mrs. IP YEUNG See-ming, Christine.