

SmarTone Telecommunications Holdings Limited

Stock Code : 0315



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ABOUT US

SmarTone Telecommunications Holdings Limited is a leading telecommunications company with operating subsidiaries in Hong Kong and Macau. We provide voice, multimedia and mobile broadband services through our territory-wide 4G and 3G HSPA+ networks, as well as fixed fibre broadband services for the home and office markets.

We are a quality and innovation company. Our goal is to deliver outstanding experiences and meaningful value to customers through our powerful network, purposeful apps and passionate service.

SmarTone Telecommunications Holdings Limited (0315.HK) has been listed in Hong Kong since 1996. It is a subsidiary of Sun Hung Kai Properties Limited (0016.HK).

DIRECTORS AND CORPORATE INFORMATION

Board of Directors

- * Mr. KWOK Ping-luen, Raymond
Chairman
 - * Mr. CHEUNG Wing-yui
Deputy Chairman
 - * Mr. FUNG Yuk-lun, Allen
Deputy Chairman
 - Mr. Chau Kam-kun, Stephen
Interim Chief Executive Officer
 - Mr. CHAN Kai-lung, Patrick
 - * Mr. David Norman PRINCE
 - * Mr. SIU Hon-wah, Thomas
 - * Mr. TSIM Wing-kit, Alfred
 - * Mr. John Anthony MILLER
 - ** Dr. LI Ka-cheung, Eric, *JP*
 - ** Mr. NG Leung-sing, *JP*
 - ** Mr. YANG Xiang-dong
 - ** Mr. GAN Fock-kin, Eric
 - ** Mrs. IP YEUNG See-ming, Christine
- * *Non-Executive Director*
** *Independent Non-Executive Director*

Company Secretary

Mr. MAK Yau-hing, Alvin

Authorised Representatives

Mr. Chau Kam-kun, Stephen
Mr. MAK Yau-hing, Alvin

Registered Office

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

31st Floor, Millennium City 2,
378 Kwun Tong Road, Kwun Tong,
Kowloon, Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, 10 Chater Road,
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

Legal Advisors to the Company

As to Hong Kong law
Slaughter and May

As to Bermuda law
Conyers, Dill & Pearman

Bermuda Resident Representative

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

FINANCIAL HIGHLIGHTS

(Expressed in Hong Kong dollars in millions except per share amounts)

	Year ended or as at 30 June	
	2015	2014
Consolidated profit and loss account		
Revenues	18,659	13,244
Profit attributable to equity holders of the Company	935	537
Basic earnings per share (\$)	0.89	0.52
Total dividends per share (\$)	0.60	0.31
Consolidated balance sheet		
Total assets	10,814	9,792
Current liabilities	(3,292)	(2,949)
Total assets less current liabilities	7,522	6,843
Non-current liabilities	(3,614)	(3,593)
Non-controlling interests	(57)	(57)
Net assets	3,851	3,193
Share capital	106	105
Reserves	3,745	3,088
Total equity attributable to equity holders of the Company	3,851	3,193
	Year ended 30 June	
	2015	2014
Consolidated cash flows		
Net cash generated from operating activities	2,947	2,154
Interest received	54	54
Payment for purchase of fixed assets	(757)	(824)
Payment of mobile licence fees	(193)	(183)
Additions of handset subsidies	(924)	(482)
Dividends paid	(392)	(285)
Proceeds from bank borrowings (net)	122	249
Proceeds from shares issued under share option scheme	110	2
Others	6	(12)
Net increase in pledged bank deposits, short-term bank deposits, and cash and cash equivalents	973	673

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 30 June 2015.

Financial Highlights

Group total revenue increased to \$18,659 million, representing a 41% growth over the previous year. Service revenue increased 3% on the previous year, with growth in local service revenue partly offset by the continuous decline in roaming revenue. Both revenue from handset sales and handset profit experienced strong growth compared to the previous year. The improvement in revenue, together with stringent cost control, contributed to a 14% growth in EBITDA to \$2,932 million. Net profit increased 74% to \$935 million over the same period.

Dividend

With the completion of the 2,100MHz spectrum auction in December 2014, the uncertainty of renewing the spectrum was cleared. On the basis of strong group operating cash flow and a healthy balance sheet, the Board raised the dividend payout ratio to 75% of net profit. A final dividend of 33 cents per share is proposed, making full year dividend at 60 cents per share, an increase of 94% compared to last year. Shareholders have the option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

Business Review

Group service revenue rose 3% due to a combination of customer number growth and continuous upgrade by customers to higher price-point plans. Recovering from the low in second half FY14, group service revenue has been rising 3-4% for the past two consecutive half-year periods, despite customers' continual migration from handset-bundled plans to SIM-only plans. Service revenue net of handset subsidy amortisation rose 7% over the previous year, reflecting healthy growth in underlying service revenue.

Hong Kong customer number grew 4% to 1.96 million, with the majority of the growth coming from the 3G speed-capped plan. Postpaid ARPU stands at \$294. Excluding the dilution from the 3G speed-capped plan, postpaid ARPU rose 3% over the year. Average postpaid churn improved from 1.0% to 0.9%.

In the year under review, the Company completed its reform of the 900MHz spectrum for 4G with full coverage of all MTR lines, providing additional capacity and further improving in-building coverage. The rollout of 4G at 2,600MHz at selected high traffic locations is well-underway, meeting customers' demand for ever-increasing mobile broadband usage. LTE-A on 900MHz and 1,800MHz has been enabled for over 75% of the network and pilot deployment has begun on tri-band carrier aggregation to increase spectral efficiency. These improvements will further extend the Company's leadership in delivering superior mobile broadband experience.

The Company has continued to innovate and differentiate by focusing on real customer needs. A number of leading new services, including services in the mobile commerce space, had been launched this year. SmarTone will remain at the forefront of the mobile-first world by continuing to develop purposeful services which bring meaningful value to customers.

CHAIRMAN'S STATEMENT

Prospects

Leveraging on its strong brand, superior network, outstanding customer care and purposeful services, the Company will grow service revenue through continuing monetisation of customers' data usage. Stringent cost control will remain a key focus to mitigate increasing cost pressure.

The Company will continue to exceed customers' rising expectation for quality mobile service through its expertise and focus on network and service platform optimisation. Together with the implementation of 4G on additional spectrum and deployment of LTE-A carrier aggregation, the Company will extend its lead in providing outstanding mobile broadband experience.

The Hong Kong telecom market remains competitive. We experienced a steady improvement in our core mobile service business in the year under review, which provides the foundation for future growth. With a strong brand and a healthy financial position, the Company is well-placed to capture industry opportunities and bring value to both customers and shareholders in the long term.

Appreciation

During the period under review, Mr. Douglas Li resigned from his post as Executive Director and Chief Executive Officer. I would like to thank Mr. Li for his valuable contribution at SmarTone over the years. Mr. Cheung Wing-yui and Mr. Fung Yuk-lun, Allen, both being Non-Executive Directors, have been appointed as Deputy Chairmen of SmarTone. Mr. Chau Kam-kun, Stephen, has been appointed as Interim CEO effective 1 September 2015. I would like to congratulate Mr. Cheung, Mr. Fung and Mr. Chau on their new positions.

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, 1 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

The Group's revenue increased by 41% to \$18,659 million (2013/14: \$13,244 million), comprising a 67% increase in handset and accessory sales and a 3% increase in service revenue. EBITDA rose by 14% to \$2,932 million (2013/14: \$2,563 million). Profit attributable to equity holders of the Company increased by 74% to \$935 million (2013/14: \$537 million).

Revenues rose by \$5,414 million or 41% to \$18,659 million (2013/14: \$13,244 million).

- Service revenue rose by \$142 million or 3% to \$5,564 million (2013/14: \$5,423 million), driven by higher local mobile service revenue, partly offset by lower roaming service revenue.

Local mobile service revenue rose by 4% amidst revenue increase from the growth in customer number and improvement in market environment, partly offset by customers' migration from handset-bundled plans to SIM-only plans.

Roaming revenue fell due to the impact of continuing global downward trend in inter-operator tariffs as well as reduced voice and SMS roaming traffic amidst cannibalisation by over-the-top applications. Roaming revenue made up of 15% of Group's service revenue (2013/14: 16%).

Customers' migration to SIM-only plans masked a stronger improvement in underlying service revenue as there was a corresponding reduction in handset subsidy amortisation. Group service revenue net of handset subsidy amortisation rose by 7%.

The Group achieved a 4% year-on-year growth in its Hong Kong customer base. Postpaid customers made up of 69% of Hong Kong mobile customer base. Average mobile postpaid churn rate improved to 0.9% (2013/14: 1.0%). Postpaid ARPU stands at \$294, incorporating the dilutive effect of the uptake of the lower-priced 3G speed-capped plan. Excluding 3G speed-capped plan customers, postpaid ARPU rose by 3%.

- Handset and accessory sales rose by \$5,273 million or 67% to \$13,095 million (2013/14: \$7,822 million). Both sales volume and average unit selling price increased.



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of inventories sold rose by \$4,965 million or 64% to \$12,708 million (2013/14: \$7,743 million). Such increase was broadly in line with the increase in handset and accessory sales.

Staff costs rose by \$62 million or 9% to \$741 million (2013/14: \$679 million) mainly amid higher bonus provision and annual salary increment. Excluding bonus provision, staff costs rose by 3%.

Other operating expenses rose by \$19 million or 1% to \$2,279 million (2013/14: \$2,260 million). Higher network operating costs, sales and marketing expenses, rental and utilities and general administrative expenses were partly offset by lower cost of services provided.

Depreciation and loss on disposal increased by \$55 million or 8% to \$724 million (2013/14: \$670 million) arising from higher disposal loss for dismantled sites and higher capital expenditure incurred in the past 2 years for the rollout of 4G LTE network and general capacity enhancement.

Handset subsidy amortisation fell by \$168 million or 18% to \$774 million (2013/14: \$942 million) amid continuing customers' migration from handset bundled plans to SIM-only plans in the past 12 months.

Mobile licence fee amortisation rose by \$46 million or 32% to \$190 million (2013/14: \$144 million) due to the commencement of amortisation of licence fee for 2,600 MHz spectrum since July 2014.

Finance income rose by \$5 million to \$62 million (2013/14: \$57 million) amid higher average balance of bank deposits, partly offset by a lower return on surplus cash.

Finance costs excluding exchange gain/(loss) fell by \$2 million to \$182 million (2013/14: \$184 million) driven by lower accretion expenses on mobile licence fee liabilities, partly offset by higher handset instalment charges due to significantly higher sales of a popular handset model and higher bank borrowings.

Exchange gain related to cash, bank deposits and borrowings amounted to \$7 million (2013/14: a loss of \$18 million).



Samsung Galaxy S6 edge+



HTC One M9



Samsung Galaxy Note5

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense amounted to \$195 million (2013/14: \$131 million), reflecting an effective tax rate of 17.3% (2013/14: 19.7%). High effective tax rate in FY13/14 was driven by an income tax provision of \$22 million recorded in prior year, in light of the uncertainty of the tax deductibility of certain upfront payments for spectrum utilisation fees. Excluding this tax provision, effective tax rate for 2013/14 would have been 16.4%.

Macau operations reported an operating profit of \$1 million (2013/14: operating loss of \$17 million) amid higher handset profits.

Capital structure, liquidity and financial resources

During the year under review, the Group was financed by share capital, internally generated funds and bank and other borrowings. As at 30 June 2015, the Group recorded share capital of \$106 million, total equity of \$3,908 million and total borrowings of \$2,969 million.

The Group's cash resources remained robust with cash and bank balances (including pledged bank deposits and short-term bank deposits) of \$4,145 million (30 June 2014: \$3,165 million).

As at 30 June 2015, the Group had bank and other borrowings of \$2,969 million (30 June 2014: \$2,840 million) of which 81% were denominated in United States dollars and were arranged on a fixed rate basis. Net cash, after deducting bank and other borrowings, amounted to \$1,176 million as at 30 June 2015 (30 June 2014: \$324 million). Net cash to EBITDA was 40% as at 30 June 2015 (30 June 2014: 13%).

The Group had net cash generated from operating activities and interest received of \$2,947 million and \$54 million respectively during the year ended 30 June 2015. The Group's major outflows of funds during the year were payments for tax reserve certificate, 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 2016 with internal cash resources and available banking facilities.



LG G4



Samsung Galaxy S6



Sony Xperia Z3+

MANAGEMENT DISCUSSION AND ANALYSIS

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. Bank deposits are predominantly maintained in Hong Kong dollars, Renminbi and other currencies.

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

As at 30 June 2015, certain bank deposits of the Group, in aggregate amount of \$3 million (30 June 2014: \$6 million), were pledged for securing guarantees issued by the banks. In addition, 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 \$85 million as at 30 June 2015 (30 June 2014: \$87 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 19% of the Group's total borrowings at 30 June 2015. The remaining 81% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential rising interest rates in the next few years. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, available-for-sale financial assets, trade payables and bank and other borrowings denominated in Renminbi and 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 2015 under these performance bonds was \$444 million (30 June 2014: \$527 million).

During the year under review, a bank issued a standby letter of credit of \$1,306,800,000 to a subsidiary of the Company in favor of the Office of Communications Authority ("OFCA") regarding the acceptance of the offer of the right of first refusal for the re-assignment of one of the spectrum. A bank also issued another letter of credit of \$980,400,000, being the final amount of spectrum utilisation fees determined during the auction.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and share option scheme

The Group had 2,121 full-time employees as at 30 June 2015 (30 June 2014: 2,137), with the majority of them based in Hong Kong. Total staff costs were \$741 million for the year ended 30 June 2015 (2013/14: \$679 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; 8,574,000 share options were exercised; and 600,000 share options were cancelled or lapsed. 23,168,500 (30 June 2014: 32,342,500) share options were outstanding as at 30 June 2015.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

The Directors submit their report together with the audited financial statements for the year ended 30 June 2015.

Principal activities

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are shown in note 21 to the consolidated financial statements.

Results

The results of the Group for the year ended 30 June 2015 are set out in the consolidated profit and loss account on page 49.

Dividend

An interim dividend of \$0.27 per share (2013/14: \$0.18 per share) was paid on 20 April 2015. The Directors recommended a final dividend of \$0.33 per share (2013/14: \$0.13 per share), making a total dividend of \$0.60 per share for the full year ended 30 June 2015 (2013/14: \$0.31 per share). The proposed final dividend, if approved at the forthcoming annual general meeting of the Company, will be payable in cash, with an option for the shareholders of the Company to receive new fully paid shares of nominal value of \$0.10 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under a scrip dividend scheme.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is shown on page 46.

Reserves

Movements in the reserves of the Group and the Company during the year are set out on pages 56 to 57 and note 34 to the consolidated financial statements respectively.

Distributable reserves

The reserves available for distribution to the shareholders of the Company amounted to \$1,239,999,000 at 30 June 2015 (30 June 2014: \$1,657,904,000).

Donations

During the year, charitable and other donations made by the Group amounted to \$10,000 (2013/14: \$70,000).

Fixed assets

Details of the movements in fixed assets are shown in note 20 to the consolidated financial statements.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Share capital

Details of the movements in share capital of the Company are shown in note 32 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

- | | |
|--|--------------------------------------|
| * Mr. Kwok Ping-luen, Raymond
<i>Chairman</i> | ** Dr. Li Ka-cheung, Eric, <i>JP</i> |
| * Mr. Cheung Wing-yui ¹
<i>Deputy Chairman</i> | ** Mr. Ng Leung-sing, <i>JP</i> |
| * Mr. Fung Yuk-lun, Allen ¹
<i>Deputy Chairman</i> | ** Mr. Yang Xiang-dong |
| Mr. Douglas Li ² | ** Mr. Gan Fock-kin, Eric |
| Mr. Chau Kam-kun, Stephen ³
<i>Interim Chief Executive Officer</i> | ** Mrs. Ip Yeung See-ming, Christine |
| Mr. Chan Kai-lung, Patrick | |
| * Mr. David Norman Prince | |
| * Mr. Siu Hon-wah, Thomas | |
| * Mr. Tsim Wing-kit, Alfred | |
| * Mr. John Anthony Miller | |
| * <i>Non-Executive Director</i> | |
| ** <i>Independent Non-Executive Director</i> | |

Notes:

1. Mr. Cheung Wing-yui and Mr. Fung Yuk-lun, Allen were appointed Deputy Chairmen of the Company both with effect from 19 December 2014.
2. Mr. Douglas Li resigned as Executive Director and Chief Executive Officer of the Company with effect from 1 September 2015.
3. Mr. Chau Kam-kun, Stephen was appointed Executive Director of the Company with effect from 2 April 2015, and Interim Chief Executive Officer of the Company with effect from 1 September 2015.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

In accordance with Bye-law No. 84 of the Company's Bye-laws, Mr. Cheung Wing-yui, Mr. Chan Kai-lung, Patrick, Mr. David Norman Prince, Mr. John Anthony Miller and Mr. Gan Fock-kin, Eric retire by rotation at the forthcoming annual general meeting. In accordance with Bye-law No. 83(2), Mr. Chau Kam-kun, Stephen also retires at the forthcoming annual general meeting. All retiring Directors, being eligible, offer themselves for re-election. All remaining Directors shall continue in office.

The term of office of the Non-Executive Directors shall be governed by the provisions of Bye-law No. 84 of the Company's Bye-laws.

None of the Directors proposed for re-election has a service agreement with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director a written annual confirmation of his or her independence pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and considers that all the Independent Non-Executive Directors are independent.

Directors' emoluments

The directors' fees payable to the Directors of the Company are determined by the Board under the authority granted by shareholders at annual general meetings. The fees are subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong. Other emoluments, if any, payable to the Directors of the Company are based on terms of the respective service contracts. Details of the emoluments paid and payable to the Directors of the Company for the financial year ended 30 June 2015 are shown in note 12 to the consolidated financial statements.

Directors' interests in contracts of significance

Apart from the connected transactions referred to in this report, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Biographical details of Directors

Brief biographical details of the Directors are set out on pages 37 to 44.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Directors' and chief executive's interests

As at 30 June 2015, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the HKSE, were as follows:

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

Name of Director	Number of shares held		Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Other interests	Total			
Kwok Ping-luen, Raymond	4,565,544 ¹	4,565,544	–	4,565,544	0.43
Douglas Li	–	–	9,400,000 ²	9,400,000	0.89
Chau Kam-kun, Stephen	11,000 ³	11,000	2,000,000 ²	2,011,000	0.19
Chan Kai-lung, Patrick	–	–	2,000,000 ²	2,000,000	0.19

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
2. These underlying shares of the Company represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company. Details of these share options are shown in the section entitled "Share option schemes".
3. These shares in the Company were held by the spouse of Mr. Chau Kam-kun, Stephen.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

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

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	188,743	496,514,186 ¹	496,702,929	–	496,702,929	17.27
Chau Kam-kun, Stephen	1,000	–	1,000	83 ² (personal interests in warrants)	1,083	0
David Norman Prince	2,000	–	2,000	166 ² (personal interests in warrants)	2,166	0
Siu Hon-wah, Thomas	–	7,000 ⁴	7,000	583 ^{2&5} (other interests in warrants)	7,583	0
Tsim Wing-kit, Alfred	–	–	–	48,000 ³ (personal interests in share options)	48,000	0
John Anthony Miller	–	–	–	48,000 ³ (personal interests in share options)	48,000	0
Li Ka-cheung, Eric	–	4,028 ⁶	4,028	335 ^{2&7} (other interests in warrants)	4,363	0

Notes:

- Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SHKP by virtue of him being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.
- These underlying shares of SHKP represented the warrants of SHKP (being regarded for the time being as listed physically settled equity derivatives). Each warrant entitles the holder thereof to subscribe at any time during the period from 23 April 2014 to 22 April 2016 (both days inclusive) for one fully paid new share in SHKP at an initial subscription price of \$98.60 per new share (subject to adjustment).

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

3. These underlying shares of SHKP represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SHKP under its share option scheme. Details of these share options are shown below:

Name of Director	Date of grant	Exercise price \$	Exercise period*	Number of share options				
				Outstanding at 1 July 2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 30 June 2015
Kwok Ping-luen, Raymond	12 July 2010	111.40	12 July 2011 to 11 July 2015	100,000	-	(100,000)	-	-
Tsim Wing-kit, Alfred	11 July 2014	106.80	11 July 2015 to 10 July 2019	N/A	48,000	-	-	48,000
John Anthony Miller	11 July 2014	106.80	11 July 2015 to 10 July 2019	N/A	48,000	-	-	48,000

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

4. These shares in SHKP were held jointly by Mr. Siu Hon-wah, Thomas and his spouse.
5. These warrants of SHKP were held jointly by Mr. Siu Hon-wah, Thomas and his spouse.
6. These shares in SHKP were held by the spouse of Dr. Li Ka-cheung, Eric.
7. These warrants of SHKP were held by the spouse of Dr. Li Ka-cheung, Eric.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

- (b) SUNeVision Holdings Ltd. (“SUNeVision”)

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	-	3,485,000 ¹	3,485,000	-	3,485,000	0.15
Chau Kam-kun, Stephen	50,000	-	50,000	-	50,000	0

Note:

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

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

Name of associated corporation	Attributable holding through corporation	Attributable % of shares in issue through corporation	Actual Holding through corporation	Actual % interests in issued shares
Splendid Kai Limited	2,500	25	1,500 ¹	15
Hung Carom Company Limited	25	25	15 ¹	15
Tinyau Company Limited	1	50	1 ¹	50
Open Step Limited	8	80	4 ¹	40

Note:

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

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the HKSE pursuant to the Model Code.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Share option schemes

The Company operates two share option schemes, which are:

- (1) share option scheme adopted and become effective on 15 November 2002 and terminated on 8 December 2011 (the "Old Scheme"); and
- (2) share option scheme adopted on 2 November 2011 and become effective on 8 December 2011 (the "New Scheme").

Pursuant to the Old Scheme and the New Scheme (collectively the "Schemes"), the Company granted/ may grant options to participants, including Directors and employees of the Group, to subscribe for the shares of the Company. No further options can be granted under the Old Scheme upon its termination. However, for the outstanding options granted and yet to be exercised under the Old Scheme, the existing rights of the grantees are not affected.

1. Principal terms of the Schemes

A summary of the principal terms of the Schemes is set out below pursuant to the requirements as contained in Chapter 17 of the Listing Rules:

(a) Purpose

The purpose of the Schemes is to reward participants who have made a valuable contribution to the growth of the Group and to enable the Group to recruit and/or to retain employees who are regarded as valuable to the Group or are expected to be able to contribute to the business development of the Group.

(b) Participants

Any employee, agent, consultant or representative of the Company or any of the subsidiaries, including any director of the Company or any of the subsidiaries who has made valuable contribution to the growth of the Group based on his work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the Schemes at the invitation of the Directors.

(c) Maximum number of shares available for issue

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under all the share option schemes of the Company does not in aggregate exceed 10% of the shares in issue on the respective date of adoption of each of the Schemes. In respect of the New Scheme, the Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue from time to time. At 1 September 2015, the number of shares available for issue in respect thereof is 102,761,185 shares which represents approximately 9.70% of the issued shares of the Company.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

(d) Maximum entitlement of each participant

The maximum entitlement for any participant is that the total number of shares issued and to be issued upon exercise of options granted and to be granted in any 12-month period up to the date of the latest grant does not exceed 1% of the relevant class of shares in issue.

(e) Time of exercise of option

The exercise period of any option granted under the Schemes shall be determined by the Board but such period must not exceed 10 years from the date of grant of the relevant option.

The Schemes do not specify any minimum holding period before the option can be exercised but the Board has the authority to determine the minimum holding period when the options are granted.

(f) Payment on acceptance of option

Acceptance of offer to grant an option shall be sent in writing together with a remittance in favour of the Company of \$1.00 by way of consideration for the grant and must be received by the secretary of the Company within 28 days from the date of the making of such offer.

(g) Basis of determining the exercise price

The price per share payable upon the exercise of any option will be determined by the Directors upon the grant of such option. It will be at least the higher of (i) the average closing price of a share as stated in the daily quotations sheets issued by the HKSE for the 5 business days immediately preceding the day of offer of such option; (ii) the closing price of a share as stated in the HKSE's daily quotations sheet on the day of offer of such option, which must be a business day; and (iii) the nominal value of a share.

(h) Remaining life

The New Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the New Scheme on 2 November 2011.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

2. Movements of share options

Movements of the share options granted to the participants pursuant to the Schemes during the year ended 30 June 2015 are as follows:

Grantee	Date of grant	Exercise price \$	Exercise period ¹	Number of share options				Outstanding at 30 June 2015
				Outstanding at 1 July 2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	
Share options granted under the Old Scheme								
<i>Directors</i>								
Douglas Li	13 June 2011	12.78	13 June 2012 to 12 June 2016	10,000,000	-	(600,000) ³	-	9,400,000
Chau Kam-kun, Stephen ²	13 June 2011	12.78	13 June 2012 to 12 June 2016	2,000,000	-	-	-	2,000,000
Chan Kai-lung, Patrick	13 June 2011	12.78	13 June 2012 to 12 June 2016	2,000,000	-	-	-	2,000,000
<i>Employees under continuous contracts</i>								
	13 June 2011	12.78	13 June 2012 to 12 June 2016	16,925,000	-	(7,471,500) ⁴	(75,000)	9,378,500
	30 September 2011	13.12	30 September 2012 to 29 September 2016	315,000	-	(315,000) ⁵	-	-
	31 October 2011	14.96	31 October 2012 to 30 October 2016	150,000	-	-	(150,000)	-
	30 November 2011	13.02	30 November 2012 to 29 November 2016	277,500	-	-	-	277,500
Share options granted under the New Scheme								
<i>Employees under continuous contracts</i>								
	30 December 2011	13.52	30 December 2012 to 29 December 2016	375,000	-	(187,500) ⁶	(75,000)	112,500
	29 February 2012	16.56	1 March 2013 to 28 February 2017	300,000	-	-	(300,000)	-

Notes:

- The share options can be exercised up to one-third of the grant from the first anniversary of the date of grant, up to two-thirds of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.
- Mr. Chau Kam-kun, Stephen was appointed Director of the Company with effect from 2 April 2015. The share options held by him were previously regarded as share options held by employee under continuous contract.
- The weighted average closing price of the shares of the Company immediately before the date on which these share options were exercised was \$13.49 per share.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

4. The weighted average closing price of the shares of the Company immediately before the date on which these share options were exercised was \$14.70 per share.
5. The weighted average closing price of the shares of the Company immediately before the date on which these share options were exercised was \$14.20 per share.
6. The weighted average closing price of the shares of the Company immediately before the date on which these share options were exercised was \$14.73 per share.

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

Interests of substantial shareholder

As at 30 June 2015, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name	Total number of shares	% of shares in issue
Sun Hung Kai Properties Limited ("SHKP") ¹	703,482,100	66.57%

Note:

1. TFS Development Company Limited ("TFS") and Cellular 8 Holdings Limited ("Cellular 8", a wholly owned subsidiary of TFS) held 28,905,733 shares and 674,576,367 shares in the Company respectively. For the purpose of Part XV of the SFO, TFS was deemed to be interested in 674,576,367 shares in the Company held by Cellular 8. Accordingly, TFS had interests and deemed interests in an aggregate of 703,482,100 shares in the Company.

In addition, TFS is a wholly-owned subsidiary of Fourseas Investments Limited ("Fourseas") which in turn is a wholly-owned subsidiary of SHKP. For the purpose of Part XV of the SFO, SHKP and Fourseas were also deemed to be interested in the above-mentioned 703,482,100 shares in the Company.

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Arrangement to purchase shares or debentures

Other than the share options as mentioned above, at no time during the year was the Company or any of its subsidiaries or the Company's holding company or any subsidiaries of the holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

Directors' interests in competing business

None of the Directors of the Company has interest in any business which may compete with the business of the Group.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market at the date of this report.

Purchase, sale or redemption of shares

At no time during the year ended 30 June 2015 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Pre-emptive rights

There is no provision for pre-emptive rights under either the Company's Bye-laws or the laws in Bermuda.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

The percentages of the Group's purchases and revenues attributable to major suppliers and customers are as follows:

Percentage of purchases attributable to the Group's largest supplier	79%
Percentage of purchases attributable to the Group's five largest suppliers	81%
Percentage of revenues attributable to the Group's largest customer	51%
Percentage of revenues attributable to the Group's five largest customers	65%

None of the Directors, their associates and shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had an interest in the major suppliers or customers noted above.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Connected transactions

1. Certain related party transactions as disclosed in note 36 to the consolidated financial statements also constituted connected transactions. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or are continuing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.
 - (a) Certain subsidiaries and associated companies of Sun Hung Kai Properties Limited (“SHKP”), the controlling shareholder of the Company, have leased premises to the Group for use as offices, retail stores and warehouses and have granted licences to the Group for the installation of base stations, antennae and telephone cables on certain premises owned by them. For the year ended 30 June 2015, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled \$112,580,000.
 - (b) Sun Hung Kai Properties Insurance Limited, a wholly-owned subsidiary of SHKP, provides general insurance services to the Group. For the year ended 30 June 2015, insurance premiums paid and payable were \$8,034,000.

The above continuing connected transactions have been reviewed by the Company’s Independent Non-Executive Directors. The Independent Non-Executive Directors confirmed that these transactions were entered into in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules”, issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a report containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group under this section in accordance with paragraph 14A.56 of the Listing Rules.

2. At 30 June 2015, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People’s Republic of China.

The above disclosure of the continuing connected transactions of the Group has complied with the disclosure requirements in accordance with the Listing Rules.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. As recommended by the Audit Committee of the Company, a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Kwok Ping-luen, Raymond
Chairman

Hong Kong, 1 September 2015

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to building and maintaining high standards of corporate governance. Throughout the year ended 30 June 2015, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviations:

Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term. Non-Executive Directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's Bye-laws. As such, no Director has a term of appointment longer than three years.

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. 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. Yang Xiang-dong, Mr. Gan Fock-kin, Eric and Mrs. Ip Yeung See-ming, Christine, Independent Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 4 November 2014 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 67% 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. Cheung Wing-yui, 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.

The Board

Roles of Directors

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Board has delegated the day-to-day operation responsibility to the management under the supervision of the Chief Executive Officer and various Board Committees.

Corporate governance function

The Board is responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Composition

The Board of Directors is responsible for supervising the management of the Group.

During the year ended 30 June 2015, Mr. Cheung Wing-yui and Mr. Fung Yuk-lun, Allen were appointed Deputy Chairmen of the Company both with effect from 19 December 2014. Mr. Chau Kam-kun, Stephen was appointed Executive Director of the Company with effect from 2 April 2015.

Mr. Douglas Li resigned as Executive Director and Chief Executive Officer of the Company with effect from 1 September 2015. Mr. Chau Kam-kun, Stephen, Executive Director of the Company, was appointed Interim Chief Executive Officer of the Company with effect from 1 September 2015.

As at 30 June 2015, the Board comprises three Executive Directors, seven Non-Executive Directors and five Independent Non-Executive Directors. The presence of twelve Non-Executive Directors, of whom five are independent, is considered by the Board to be a reasonable balance between Executive and Non-Executive Directors.

The Non-Executive Directors, who offer diversified expertise and experience, contribute significantly to the important function of advising management on strategy and policy development. They also serve to ensure that the Board maintains high standards of financial and other mandatory reporting as well as to provide adequate checks and balances for safeguarding the interests of the Company and the shareholders as a whole.

Except for those relationships disclosed in the biographical details of the Directors set out on pages 37 to 44 of this Annual Report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

The Company has received from each Independent Non-Executive Director a written annual confirmation of his or her independence pursuant to the Listing Rules, and considers that all the Independent Non-Executive Directors are independent.

The Company maintains appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Appointment and re-election of Directors

All Directors are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years.

One-third of the Directors, who have served longest on the Board, must retire and be eligible for re-election at each annual general meeting. As such, no director has a term of appointment longer than three years. To further enhance accountability, any further appointment of an Independent Non-Executive Director who has served the Company's Board for more than nine years will be subject to separate resolution to be approved by shareholders.

Directors appointed to fill casual vacancy shall hold office only until the first general meeting after their appointment, and shall be subject to re-election by shareholders.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

In order to reinforce their respective independence, accountability and responsibility, and to avoid power being concentrated in any one individual, the roles of the Chairman is separate from those of the Chief Executive Officer. The Chairman of the Company is Mr. Kwok Ping-luen, Raymond. The Chief Executive Officer of the Company is Mr. Douglas Li (up to 31 August 2015). Their respective responsibilities are clearly established and defined by the Board in writing. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. The Chief Executive Officer, supported by the Executive Directors and the management team, is responsible for managing the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

Board process

The Board of Directors meets regularly at least four times a year. The Directors participate in person or through electronic means of communication. To facilitate maximum attendance of Directors, a tentative schedule for regular Board meetings for each calendar year is fixed prior to the commencement of the year. The Directors are given the opportunity to include matters in the agenda for discussion. The finalised agenda and accompanying board papers are sent to all Directors at least three days prior to the meeting.

During regular meetings of the Board, the Directors discuss the overall strategy as well as the operation and financial performance of the Group. The Board has reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, approval of major capital transactions and other significant operational and financial matters. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors can also seek independent professional advice in performing their duties at the Company's expense, if necessary.

The Company Secretary records the proceedings of each Board meeting by keeping detailed minutes, including all decisions by the Board together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection at any reasonable time on request by any Director.

CORPORATE GOVERNANCE REPORT

Directors' attendance at Board meetings and general meeting

Five Board meetings (comprising four regular meetings and a non-regular meeting) and a general meeting were held during the year ended 30 June 2015. The attendance record of the Directors at the meetings is set out below:

Directors	Meetings attended/held during the term of office	
	Board Meetings	General Meeting
Executive Directors		
Mr. Douglas Li (<i>Chief Executive Officer</i>)	5/5	1/1
Mr. Chau Kam-kun, Stephen ¹	1/1	0/0
Mr. Chan Kai-lung, Patrick	5/5	1/1
Non-Executive Directors		
Mr. Kwok Ping-luen, Raymond (<i>Chairman</i>) ²	2/5	0/1
Mr. Cheung Wing-yui (<i>Deputy Chairman</i>)	5/5	1/1
Mr. Fung Yuk-lun, Allen (<i>Deputy Chairman</i>)	5/5	1/1
Mr. David Norman Prince	5/5	1/1
Mr. Siu Hon-wah, Thomas	5/5	1/1
Mr. Tsim Wing-kit, Alfred	5/5	1/1
Mr. John Anthony Miller	5/5	1/1
Independent Non-Executive Directors		
Dr. Li Ka-cheung, Eric	4/5	1/1
Mr. Ng Leung-sing	5/5	1/1
Mr. Yang Xiang-dong	4/5	0/1
Mr. Gan Fock-kin, Eric	4/5	0/1
Mrs. Ip Yeung See-ming, Christine	4/5	0/1

Notes:

1. Mr. Chau Kam-kun, Stephen was appointed Executive Director of the Company with effect from 2 April 2015.
2. Mr. Kwok Ping-luen, Raymond did not participate in one of the five Board meetings held during the year due to potential conflict of interests.

Directors' training

All Directors must keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. As such, briefing materials are provided to newly appointed Directors to ensure that they are familiar with the role of the Board, their legal and other duties and responsibilities as Director as well as the business and corporate governance practices of the Group. The Company Secretary will continuously update all Directors on latest developments in applicable legal and regulatory requirements as and when necessary.

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company organised a training seminar for the Directors in April 2015 which was presented by representatives from a renowned professional firm covering the key changes to the CG Code in relation to risk management and internal controls, and cyber security.

CORPORATE GOVERNANCE REPORT

All Directors have provided to the Company a record of the training they received during the year ended 30 June 2015, which includes attending seminars, giving talks at seminars and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

During the year ended 30 June 2015, the Directors participated in the following trainings:

Directors	Type of trainings
Executive Directors	
Mr. Douglas Li (<i>Chief Executive Officer</i>)	A, C
Mr. Chau Kam-kun, Stephen	A, C
Mr. Chan Kai-lung, Patrick	A, C
Non-Executive Directors	
Mr. Kwok Ping-luen, Raymond (<i>Chairman</i>)	A, B, C
Mr. Cheung Wing-yui (<i>Deputy Chairman</i>)	A, C
Mr. Fung Yuk-lun, Allen (<i>Deputy Chairman</i>)	A, C
Mr. David Norman Prince	A, C
Mr. Siu Hon-wah, Thomas	A, C
Mr. Tsim Wing-kit, Alfred	A, C
Mr. John Anthony Miller	A, C
Independent Non-Executive Directors	
Dr. Li Ka-cheung, Eric	A, C
Mr. Ng Leung-sing	C
Mr. Yang Xiang-dong	A, C
Mr. Gan Fock-kin, Eric	C
Mrs. Ip Yeung See-ming, Christine	A, C

A: attending seminars and/or conferences and/or forums and/or briefings
B: giving talks at seminars and/or conferences and/or forums and/or briefings
C: reading newspapers, journals and/or other materials

Board Committees

The Board has established the following committees with defined terms of reference, which are of no less exacting terms than those set out in the CG Code (if applicable).

Board Supervisory Committee (the "BSC")

The Board has delegated the duties of overseeing management performance, monitoring execution of business plans and initiatives, and ensuring adherence to corporate objectives to the BSC. Members of the BSC include the Chairman of the Board, the Chief Executive Officer, the Executive Directors and senior executives of the Company. Non-Executive Directors are welcomed to join the BSC at their discretion.

CORPORATE GOVERNANCE REPORT

The BSC meets regularly throughout the year to review and monitor the overall strategy implementation as well as the business operation and financial performance of the Group and to properly inform the Board of the status of such operations and performance. To facilitate maximum attendance of Directors and members, a tentative schedule for regular BSC meetings for each calendar year is fixed prior to the commencement of the year.

Remuneration Committee

The chairman of the Committee is Dr. Li Ka-cheung, Eric (Independent Non-Executive Director) and the other members are Mr. Ng Leung-sing (Independent Non-Executive Director) and Mr. Fung Yuk-lun, Allen (Non-Executive Director, appointed with effect from 17 February 2015). The majority of the members of the Remuneration Committee are Independent Non-Executive Directors of the Company.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy for all Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure and other compensation-related issues. The Committee consults with the Chairman and/or the Chief Executive Officer on its proposals and recommendations, and also has access to professional advice if deemed necessary by the Committee. The Committee is also provided with other resources enabling it to discharge its duties.

The Remuneration Committee has the delegated responsibility to determine the remuneration packages of individual Executive Directors and senior management. The specific terms of reference of the Remuneration Committee is available on the Company's website.

During the year ended 30 June 2015, the Remuneration Committee passed four written resolutions for approving and/or recommending the emoluments to Directors and senior management.

Remuneration policy for Directors and senior management

The primary goal of the remuneration policy for Executive Directors and senior management is to enable the Company to retain and motivate Executive Directors and senior management by linking their compensation with performance as measured against corporate objectives.

The principal elements of the Company's remuneration package for Executive Directors and senior management include basic salary, discretionary bonus and share option. In determining guidelines for each compensation element, the Company will make reference to market remuneration surveys on companies operating in similar businesses.

The remuneration of Non-Executive Directors, mainly comprising directors' fees, is subject to annual assessment with reference to the market standard. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The chairman of the Committee is Mr. Gan Fock-kin, Eric (Independent Non-Executive Director) and the other members are Mr. Ng Leung-sing (Independent Non-Executive Director) and Mr. David Norman Prince (Non-Executive Director). The majority of the members of the Nomination Committee are Independent Non-Executive Directors of the Company.

The Nomination Committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of Directors and board succession. The Committee will also review the size, structure and composition of the Board. The Committee is provided with sufficient resources enabling it to discharge its duties. The specific terms of reference of the Nomination Committee is available on the Company's website.

During the year ended 30 June 2015, the Nomination Committee held a meeting, which was attended by all members of the Committee, and passed two written resolutions for reviewing the size, structure and composition of the Board, recommending new appointment and re-election of Directors, and recommending appointment of Interim Chief Executive Officer of the Company.

The Nomination Committee has reviewed and recommended the re-election of those Directors who are retiring at the forthcoming 2015 Annual General Meeting.

Board diversity

The Company adopted a board diversity policy for the Group. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Board diversity has been considered from a number of factors, including but not limited to gender, age, cultural and educational background, and professional experience. Candidates for Board appointment will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The current Board comprises male and female Directors of different age groups, length of services in the Group, cultural and educational background, and professional experience (see the section "The Board – Composition" of this Corporate Governance Report and the biographical details of the Directors set out on pages 37 to 44 of this Annual Report). The Nomination Committee considers the current composition and structure of the Board as appropriate.

The Nomination Committee monitors the implementation of the board diversity policy and will review the policy, as appropriate, to ensure the effectiveness of the Policy.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities for ensuring compliance with the financial reporting obligations and corporate governance requirements as well as reviewing the effectiveness of the Company's system of internal control.

The chairman of the Committee is Dr. Li Ka-cheung, Eric (Independent Non-Executive Director with professional accounting expertise) and the other members are Mr. Ng Leung-sing (Independent Non-Executive Director), Mr. Gan Fock-kin, Eric (Independent Non-Executive Director) and Mr. Tsim Wing-kit, Alfred (Non-Executive Director). The majority of the members of the Audit Committee are Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports, and the auditor's report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; reviewing the Group's financial and accounting policies and practices; and recommending the appointment and remuneration of external auditor. Other duties of the Audit Committee are set out in its specific terms of reference, which is available on the Company's website. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Audit Committee met two times during the year ended 30 June 2015 to review with management and the Company's internal and external auditors the Group's significant internal controls and financial matters as set out in the Committee's terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim and annual financial statements for the Board's approval).

The attendance record of the members at the Committee meetings is set out below:

Directors	Meetings attended/held during the term of office
Dr. Li Ka-cheung, Eric (<i>Chairman</i>)	2/2
Mr. Ng Leung-sing	2/2
Mr. Gan Fock-kin, Eric	2/2
Mr. Tsim Wing-kit, Alfred	2/2

The Audit Committee also held a meeting on 25 August 2015 and reviewed the financial statements as well as the internal audit reports of the Group for the year ended 30 June 2015. 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 with the internal control measures adopted by the Group.

CORPORATE GOVERNANCE REPORT

External auditor's independence

The nature and ratio of annual fees to external auditor for non-audit services and for audit services are subject to scrutiny by the Audit Committee. The provision of non-audit services by the external auditor requires prior approval of Audit Committee so as to ensure that the independence and objectivity of the external auditor will not be impaired. Details of the fees paid or payable to the auditor for the year ended 30 June 2015 are as follows:

	HK\$
Audit services	2,549,000
Non-audit services	
Taxation	333,000
Review of interim financial statements	321,000
Others ¹	408,000
	1,062,000
Total fees	3,611,000

Note:

1. Non-audit services – Others mainly consists of other reporting services to regulatory authorities, landlords and business partners.

The consolidated financial statements of the Company and its subsidiaries as at and for the year ended 30 June 2015 have been audited by PricewaterhouseCoopers. Before the commencement of the said audit, the Committee received written confirmation from PricewaterhouseCoopers confirming that they are independent accountants with respect to the Company within the meaning of the requirements of section 290 of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants.

The Committee was satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers and had recommended the Board to propose a resolution of their re-appointment as the Company's external auditor at the forthcoming 2015 Annual General Meeting.

Directors' and auditor's responsibilities for the consolidated financial statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The responsibilities of the auditor for the consolidated financial statements are set out in the Independent Auditor's Report on pages 47 to 48 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Internal control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness.

The internal control system of the Group comprises a comprehensive organisational structure and delegation of authorities, with responsibilities of each business and operational units clearly defined and authorities assigned to individuals based on experience and business need.

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

A Risk Management Committee has been set up and is responsible for the overall risk management functions of the Group. Risk Management Framework is in place to provide a consistent approach on the risk management processes in identification, assessment, treatment and reporting of all risks identified affecting key business processes.

The Group has an internal audit team, staffed with seven qualified professionals, which is an independent function reports directly to the Audit Committee and the Chief Executive Officer. Internal audit plays an important role in the internal control framework and provides independent assurance to the Board as to the adequacy and effectiveness of internal controls for the Group on an on-going basis. The work of internal audit includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency and effectiveness reviews. Internal audit derives its annual audit plan using a risk assessment methodology and taking into account the business nature of the Group. The plan is reviewed and approved by the Audit Committee, who ensures that adequate resources are deployed and the plan objectives are adequate to cover major risks affecting the Group. In addition, there is regular dialogue with the Group's external auditor so that both are aware of the significant factors which may affect their respective scope of work.

The Board conducted a review on the effectiveness of the Group's internal control system and concluded that adequate and effective system of internal control has been maintained to safeguard the shareholders' investment and the Group's assets for the year ended 30 June 2015. The review considered the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit function, and their training programmes and budget. The review covered all material controls, including financial, operational and compliance controls and risk management functions. It was based on a framework which assesses the Group's internal control system against control environment, risk management, control activities, information and communication and monitoring activities on all major business and operational processes. The examination consisted of enquiry, discussion and validation through observation and inspection. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee, internal audit and external auditor.

In respect of the handling and dissemination of inside information, the Group's Code of Conduct for employees stipulates the prohibition on unauthorised use of inside information of the Company. Employees who are privy or have access to inside information have also been notified on observing the restrictions pursuant to the Securities and Futures Ordinance.

Compliance with model code for securities transactions by Directors

The Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon specific enquiry, each Director had confirmed that during the year ended 30 June 2015, they had fully complied with the required standard set out in the Model Code and there was no event of non-compliance.

CORPORATE GOVERNANCE REPORT

Shareholders' rights

Right to convene special general meeting

The Directors, on the requisition of shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the Head Office of the Company in Hong Kong or the Registered Office in Bermuda, or by e-mail to ir@smartone.com for the attention of the Company Secretary.

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists:

- (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;
- (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the Registered Office of the Company in Bermuda for the attention of the Company Secretary.

Investor relations

To manage its relationship with investment community, the Group meets regularly with the press and financial analysts and participates frequently in other conferences and presentations. The Company also communicates to its shareholders through announcements and annual and interim reports. All such reports and announcements can also be accessed via the Company's website. The Directors, Company Secretary or other appropriate members of the management team also respond to inquiries from shareholders and investment community promptly.

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

Directors

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

Mr. Raymond Kwok (aged 62) has been with the Group since April 1992 and was appointed Director of the Company in October 1996. He holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

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

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong, a member of the General Committee of the Hong Kong General Chamber of Commerce and a member of the Council of The Chinese University of Hong Kong.

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

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

Mr. Cheung Wing-yui (aged 65) was appointed Director of the Company in March 2003. Mr. Cheung is a director of a number of other publicly listed companies, namely being a non-executive director of Tai Sang Land Development Limited, SUNeVision Holdings Ltd., Tianjin Development Holdings Limited and SRE Group Limited, and being an independent non-executive director of Hop Hing Group Holdings Limited and Agile Property Holdings Limited.

Mr. Cheung is a non-executive director of Hung Kai Finance Company, Limited and Sun Hung Kai Properties Insurance Limited, both of which are wholly-owned subsidiaries of Sun Hung Kai Properties Limited.

Mr. Cheung is currently a director of The Community Chest of Hong Kong, co-deputy chairman of Sponsorship & Development Fund Committee and court member of The Open University of Hong Kong, and Honorary Council Member of The Hong Kong Institute of Directors Limited. Mr. Cheung was the deputy chairman of The Open University of Hong Kong, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance, a member of the Board of Review (Inland Revenue Ordinance), the deputy chairman of the Hong Kong Institute of Directors Limited, a director of Po Leung Kuk and the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. Mr. Cheung received a Bachelor of Commerce degree in accountancy from the University of New South Wales, Australia and is a member of CPA Australia. Mr. Cheung has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He was admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

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

Mr. Allen Fung (aged 47) was appointed Director of the Company in December 2013. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993-1994 and a visiting Assistant Professor of History at Brown University in 1996-1997.

Mr. Fung is an executive director and a member of the Executive Committee of Sun Hung Kai Properties Limited ("SHKP"), as well as the chief executive officer of the SHKP group's non-property related portfolio investments. He is also a vice chairman and non-executive director of SUNeVision Holdings Ltd., and a non-executive director of Transport International Holdings Limited and Roadshow Holdings Limited. He is also a director of certain SHKP subsidiaries.

Mr. Fung joined McKinsey and Company ("McKinsey"), a global management consulting company, in 1997. During his time in McKinsey, he primarily served clients in China and Hong Kong, and also served institutions in Europe and Southeast Asia. Mr. Fung was the co-leader of the infrastructure practice for McKinsey. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally, being the first Hong Kong Chinese to become a director in McKinsey's history. He was also the head of recruiting for the Asia region in McKinsey.

Mr. Fung is the chairman of the Hong Kong Society for the Protection of Children, a council member of both The Hong Kong Federation of Youth Groups and The Hong Kong Management Association and a member of the Executive Committee of The Hong Kong Council of Social Service. He is an advisory member of the Faculty of Business and Economics at The University of Hong Kong, and a council member of Sir Edward Youde Memorial Fund.

Douglas LI *Executive Director & Chief Executive Officer* (Resigned with effect from 1 September 2015)

Mr. Douglas Li (aged 61) was appointed Executive Director of the Company in July 2001. He had been Chief Executive Officer of SmarTone since rejoining it in 2001. He believes in challenging the status quo and doing things differently, and had transformed SmarTone into a leader in mobile internet services and communication.

Under Mr. Li's leadership, SmarTone focused on fostering a culture of innovation and quality in pursuit of market differentiation and an exceptional customer experience.

Mr. Li made the provision of superior network performance, proprietary services and outstanding customer care the cornerstones of SmarTone's strategy, which has led to sustained improvement in its business. SmarTone today leads in customer ARPU in Hong Kong's mobile communication market, one of the most advanced and competitive in the world.

Mr. Li began his career as a Chartered Accountant with KPMG in London and Hong Kong. He became an investment banker at Morgan Grenfell, and following that he joined Sun Hung Kai Properties Limited to manage its corporate finance and new business development. He was founding CEO of SmarTone in 1992 and left in 1996 to become managing director of the Asian private equity business of the Suez group. Mr. Li is a member of the Advisory Committee of the Department of Electrical and Electronic Engineering, The University of Hong Kong.

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

Mr. Li was also a director of certain subsidiaries of the Company.

Mr. Li resigned as Executive Director and Chief Executive Officer of the Company with effect from 1 September 2015.

CHAU Kam-kun, Stephen *Executive Director & Interim Chief Executive Officer*

Mr. Stephen Chau (aged 54) was appointed Executive Director of the Company in April 2015, and Interim Chief Executive Officer of the Company with effect from 1 September 2015. He has been with the Company since 1993. He joined the Company as Head of Operations and was made Chief Technology Officer since 1999. He has been responsible for the Company's information and communications technology strategy, roadmap and deployment; he has also led the Company in a number of commercial initiatives.

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

Mr. Chau has held various senior management positions in telecommunications companies. He is a member of The Institution of Engineering and Technology ("IET"), UK and a Chartered Engineer of the Institute of Electrical Engineers, UK. He is also on the Advisory Committee on Electronic Engineering of The Chinese University of Hong Kong, and the Innovation and Technology Support Programme ("ITSP") Assessment Panel (Information and Technology Subgroup) under the Innovation and Technology Fund.

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

CHAN Kai-lung, Patrick *Executive Director*

Mr. Patrick Chan (aged 55) was appointed Non-Executive Director of the Company in October 1996 and became Executive Director in May 2002. He is the Company's Chief Financial Officer responsible for the formulation and execution of financial strategies, funding, investment, risk management and corporate development. He is also responsible for investor relations, legal and regulatory affairs and procurement.

Mr. Chan oversees the pivot of Business Markets to help enterprise customers do better business in today's hyper-connected world. He directs its transformation to offer advanced services and solutions that enable enterprise customers to be more productive and agile in an increasingly competitive business environment.

Mr. Chan held various positions in the areas of research, investment, investor relations and finance at leading international banking groups and Sun Hung Kai Properties Limited. From December 1994 to May 1996, he was seconded to the Central Policy Unit of the Hong Kong Government as a full-time member.

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

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

David Norman PRINCE *Non-Executive Director*

Mr. David Prince (aged 64) was appointed Director of the Company in July 2005. Mr. Prince has over 15 years' experience of operating at board level in an international environment.

Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK).

He was Group Finance Director of Cable and Wireless plc. until December 2003 and prior to this, spent some 12 years working in the telecommunications industry in Hong Kong, Mainland China and Asia. From 1994 to 2000 he was Finance Director and latterly Deputy Chief Executive Officer of Hong Kong Telecommunications Limited until it was acquired by PCCW in 2000. He went on to join PCCW plc. as Group Chief Financial Officer primarily focused on the integration of the companies following the acquisition. In 2002, he left PCCW to join Cable and Wireless as Group Finance Director. Prior to his time in Hong Kong he held senior management roles for Cable and Wireless. His early career was spent in the Gas, Oil and Electronic industries within Europe and the USA.

Mr. Prince is currently a non-executive director and chair of the audit committee of Adecco SA which is the global leader in human resources services. He was previously a non-executive director and chairman of the audit committee of Ark Therapeutics plc.

Mr. Prince is a Consultant of Sun Hung Kai Real Estate Agency Ltd. (a company within the Sun Hung Kai Properties Group).

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

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

Mr. Thomas Siu (aged 62) was appointed Director of the Company in July 2008. Mr. Siu is managing director of Wilson Group which is a major transport infrastructure services provider in Hong Kong. Wilson Group is a wholly-owned subsidiary of Sun Hung Kai Properties Limited. Prior to joining Wilson Group, Mr. Siu had more than 25 years experience in telecommunications and IT sectors. His experience covers finance, business operations and development. Mr. Siu is also a non-executive director of SUNeVision Holdings Ltd.

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

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

TSIM Wing-kit, Alfred *Non-Executive Director*

Mr. Alfred Tsim (aged 51) was appointed Director of the Company in November 2009. Mr. Tsim was appointed an executive director and the chief financial officer of SUNeVision Holdings Ltd. ("SUNeVision") in July 2006 and had been the chief executive officer of SUNeVision since 2008 until his redesignation as non-executive director of SUNeVision in October 2013. Mr. Tsim is currently a manager of Sun Hung Kai Properties Limited.

Mr. Tsim is an accountant by profession, he qualified with Price Waterhouse and is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom, CPA Australia, CPA Canada, CMA Canada and The Institute of Chartered Accountants in England and Wales. Mr. Tsim holds a Bachelor of Arts degree from the City University of Hong Kong, a Master of Business Administration degree from The University of Sydney, a Master of Laws degree from the University of Wolverhampton, United Kingdom, and a Diploma in Management Accounting from The Chinese University of Hong Kong.

Mr. Tsim is also a member of the Audit Committee of the Company.

John Anthony MILLER *Non-Executive Director*

Mr. John Anthony Miller (aged 65), SBS, OBE, was appointed Director of the Company in November 2010. Mr. Miller is a non-executive director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and RoadShow Holdings Limited. He is also chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited.

Mr. Miller was previously a non-executive director of SUNeVision Holdings Ltd.

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

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

Dr. Eric Li (aged 62), GBS, OBE, JP, LLD, DSocSc., B.A., FCPA (Practising), FCA, FCPA (Aust.), FCIS, was appointed Director of the Company in October 1996. Dr. Li is the senior partner of Li, Tang, Chen & Co., Certified Public Accountants and an independent non-executive director of Sun Hung Kai Properties Limited, Transport International Holdings Limited, Wong's International (Holdings) Limited, Hang Seng Bank Limited, China Resources Enterprise Limited and Roadshow Holdings Limited. Dr. Li was previously an independent non-executive director of Bank of Communications Co., Ltd.

Dr. Li is a member of the 12th National Committee of Chinese People's Political Consultative Conference. He was previously a convenor-cum-member of the Financial Reporting Review Panel, a member of the Legislative Council of Hong Kong and chairman of its Public Accounts Committee, president of the Hong Kong Institute of Certified Public Accountants, an advisor to the Ministry of Finance on international accounting standards and a member of the Commission on Strategic Development.

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

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

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

Mr. Ng Leung-sing (aged 66) was appointed Director of the Company in June 1997. Mr. Ng is a Hong Kong Deputy to the 10th, 11th and 12th National People's Congress, P.R.C., a member of the Legislative Council of the Hong Kong Special Administrative Region, chairman of Bank of China (Hong Kong) Trustees Limited, vice-chairman of Chiyu Banking Corporation Limited, a director of the BOCHK Charitable Foundation and a director of the Hong Kong Mortgage Corporation Limited from 7 April 2014. Mr. Ng was general manager of the Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009 and executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. Mr. Ng has been an independent non-executive director of Nine Dragons Paper (Holdings) Limited since 3 March 2013 and Hanhua Financial Holding Co., Ltd. (became listed on the Hong Kong Stock Exchange on 19 June 2014) since 17 June 2013. He has been appointed a member of the board of management of the Chinese Permanent Cemeteries from June 2009 to May 2015 and a member of the board of MTR Corporation Limited, Hong Kong since December 2007. He was previously a member of the managing board of the Kowloon-Canton Railway Corporation, Hong Kong.

Mr. Ng had been appointed as the Chinese Representative of the Sino-British Land Commission and the trustee of Hong Kong Government Land Fund from 1988 to 1997. He was a member of the Corporate Contribution Programme Organisation Committee of The Community Chest of Hong Kong from 1992 to 1996, a member of the Legislative Council of Hong Kong from 1996 to 2004, a member of the Hong Kong Housing Authority from 1996 to 2004 and a member of the Court of Lingnan University from 1999 to 2011.

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

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

YANG Xiang-dong *Independent Non-Executive Director*

Mr. Yang Xiang-dong (aged 50) was appointed Director of the Company in December 2003.

Mr. Yang has been managing director and co-head of Carlyle Asia Partners of The Carlyle Group since 2001. Prior to joining Carlyle, Mr. Yang spent 9 years at Goldman Sachs, where he was managing director and co-head of Goldman's private equity investment for Asia ex-Japan.

Mr. Yang was previously a member of the board of China Pacific Insurance (Group) Company Limited.

Mr. Yang received his B.A. in economics from Harvard University and M.B.A. from Harvard Business School.

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

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

Mr. Eric Gan (aged 52) was appointed Director of the Company in December 2005. Mr. Gan is founder and president of eAccess Ltd., the fourth mobile operator (EMOBILE brand) in Japan which is now a subsidiary of SoftBank Corp. Following the merger of eAccess and Willcom Inc. in June 2014, Mr. Gan was appointed representative director, president and chief executive officer of the combined entity – Ymobile Corporation. Mr. Gan is also an executive vice president of Softbank Mobile Corp.

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

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

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

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

Mrs. Christine Ip (aged 51) was appointed Director of the Company in November 2012. Mrs. Ip is currently managing director of United Overseas Bank Limited ("UOB") and is responsible for developing Greater China strategy for the Bank. Mrs. Ip has been appointed as United Overseas Bank Hong Kong Office CEO with effect from January 2012.

Mrs. Ip is a seasoned banker with more than 27 years of experience in both consumer and corporate banking, and she has significant experience in China. Prior to joining UOB, Mrs. Ip has held a range of senior management positions in product and sales management, customer segment management and risk management in Hong Kong, the United States, Canada, Singapore and China with Australia and New Zealand Bank, Standard Chartered Bank and HSBC.

Mrs. Ip's achievements have brought her the Asia Retail Congress award for "Best International Retail Banker" in 2008.

Mrs. Ip holds a Bachelor's degree in Arts from The University of Hong Kong and a MBA degree from The Hong Kong University of Science and Technology. Mrs. Ip is also an associate of The Institute of Bankers.

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

Notes:

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

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

The Company and Mr. Douglas Li, then Executive Director, entered into an employment contract dated 31 May 2001 under which Mr. Li has been appointed to act as Executive Director and Chief Executive Officer of the Group with effect from 17 July 2001 with no fixed term of service. He is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to an annual bonus, the computation of which is based on the profitability of the Group. Mr. Li's appointment as a director of the Company is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Li is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong. Mr. Li resigned as Executive Director and Chief Executive Officer of the Company with effect from 1 September 2015.

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

The Company and Mr. Chan Kai-lung, Patrick, Executive Director, entered into an employment contract dated 1 May 2002 under which Mr. Chan has been appointed to act as Executive Director of the Group with effect from 15 May 2002 with no fixed term of service. He is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to a discretionary bonus, the computation of which is based on his performance and profitability of the Group. Mr. Chan's appointment as a director of the Company is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Chan is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The details of the emoluments of the Directors on a named basis for the year ended 30 June 2015 are disclosed in note 12 to the consolidated financial statements.

The Directors' interests in shares of the Company or any of its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance as at 30 June 2015 are disclosed in "Directors' and chief executive's interests" section of the Report of the Directors on pages 15 to 18 of this Annual Report.

Senior Management

The Executive Directors of the Company are also members of senior management of the Group.

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

Members of Operations Committee

Douglas LI *Executive Director & Chief Executive Officer*
(Resigned with effect from 1 September 2015)

CHAU Kam-kun, Stephen *Executive Director, Interim Chief Executive Officer & Chief Technology Officer*

CHAN Kai-lung, Patrick *Executive Director*

LAU Man-fai, Chris *Director of Future Services*

Mr. Chris Lau joined SmarTone in 1992 as its first employee and was appointed to his current position of Director of Future Services in 2001. He is responsible for monitoring emerging technologies and business models, formulating strategies for new services, and architecting the adoption of technologies for both services and business operations.

Mr. Lau has made important contributions in enabling SmarTone's innovations and its improvement in customer experiences across its full range of services. Mr. Lau held various senior Network and Products Development positions in both mobile and fixed line service providers in Canada and Hong Kong. Mr. Lau is a Chartered Engineer and a Professional Engineer of Ontario, Canada.

HUI Ching-yee, Rita *General Manager, Human Resources*

Ms. Rita Hui has been Head of Human Resources since joining SmarTone in 1995 and is responsible for human resources strategy, talent and performance management, training and development.

Ms. Hui has made vital contributions in nurturing a company culture that promotes customer focus, quality, innovation and teamwork. It is closely integrated into training, development and career advancement programmes, helping staff live up to their potential and realising the SmarTone difference.

Ms. Hui has held various human resources, administration, sales operations and logistics positions with multi-national corporations in Hong Kong. She is a member of the Education Working Party of the Hong Kong Retail Management Association, and supports the Hong Kong Baptist University's Human Resources Management Mentoring Programme.

GROUP FINANCIAL SUMMARY

(Expressed in Hong Kong dollars in millions except per share amounts)

	2015	2014	2013	2012	2011
Consolidated profit and loss account					
Revenues	18,659	13,244	12,067	9,952	6,631
Profit attributable to equity holders of the Company	935	537	843	1,023	754
Basic earnings per share (\$)	0.89	0.52	0.81	0.99	0.73
Dividends					
Total dividends	634	323	685	1,023	750
Total per share for the year (\$)	0.60	0.31	0.66	0.99	0.73
Consolidated balance sheet					
Total assets	10,814	9,792	9,628	7,469	7,237
Current liabilities	(3,292)	(2,949)	(2,696)	(2,909)	(3,012)
Total assets less current liabilities	7,522	6,843	6,932	4,560	4,225
Non-current liabilities	(3,614)	(3,593)	(3,884)	(1,385)	(1,316)
Non-controlling interests	(57)	(57)	(62)	(64)	(46)
Net assets	3,851	3,193	2,986	3,111	2,863
Share capital	106	105	104	104	103
Reserves	3,745	3,088	2,882	3,007	2,760
Total equity attributable to equity holders of the Company	3,851	3,193	2,986	3,111	2,863

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 112, which comprise the consolidated and company balance sheets as at 30 June 2015, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the predecessor Hong Kong Companies Ordinance (Cap.32).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 1 September 2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$000	2014 \$000
Service revenue		5,564,144	5,422,640
Handset and accessory sales		13,094,692	7,821,760
Revenues	6	18,658,836	13,244,400
Cost of inventories sold		(12,707,801)	(7,742,690)
Staff costs	7	(740,518)	(678,893)
Other operating expenses		(2,278,726)	(2,260,005)
Depreciation, amortisation and loss/(gain) on disposal	10	(1,687,954)	(1,755,413)
Operating profit		1,243,837	807,399
Finance income	8	61,621	57,086
Finance costs	9	(174,921)	(201,887)
Profit before income tax	10	1,130,537	662,598
Income tax expense	11	(195,318)	(130,583)
Profit after income tax		935,219	532,015
Attributable to			
Equity holders of the Company		935,379	537,110
Non-controlling interests		(160)	(5,095)
		935,219	532,015
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	17		
Basic		89.2	51.7
Diluted		89.1	51.6
Dividends	18		
Interim dividend paid		284,456	186,631
Final dividend proposed		349,449	135,979
		633,905	322,610

The notes on pages 58 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	2015 \$000	2014 \$000
Profit for the year	935,219	532,015
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Fair value gain on financial investments, net of tax	5,195	1,436
Currency translation differences	409	165
Other comprehensive income for the year, net of tax	5,604	1,601
Total comprehensive income for the year	940,823	533,616
Total comprehensive income attributable to		
Equity holders of the Company	940,983	538,711
Non-controlling interests	(160)	(5,095)
	940,823	533,616

The notes on pages 58 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$000	2014 \$000
Non-current assets			
Leasehold land and land use rights	19	14,038	14,651
Fixed assets	20	3,340,063	3,396,056
Interest in an associate	22	3	3
Intangible assets	23	2,318,714	2,378,052
Deposits and prepayments	24	98,766	78,430
Deferred income tax assets	25	6,803	7,341
		5,778,387	5,874,533
Current assets			
Inventories	26	82,252	80,350
Financial investments	27	9,910	4,715
Trade receivables	24	332,495	435,749
Deposits and prepayments	24	169,049	179,168
Other receivables	24	44,801	52,746
Tax reserve certificate		252,362	–
Pledged bank deposits	28	2,579	6,269
Short-term bank deposits	28	1,838,734	1,321,651
Cash and cash equivalents	28	2,303,783	1,836,773
		5,035,965	3,917,421
Current liabilities			
Trade payables	29	754,944	778,119
Other payables and accruals	29	863,191	859,250
Current income tax liabilities		543,525	343,065
Bank borrowings	30	124,351	100,901
Customer prepayments and deposits		556,482	488,338
Deferred income		253,222	192,319
Mobile licence fee liabilities	31	196,533	186,741
		3,292,248	2,948,733
Net current assets		1,743,717	968,688
Total assets less current liabilities		7,522,104	6,843,221
Non-current liabilities			
Customer prepayments and deposits		216,902	148,144
Asset retirement obligations		52,904	58,636
Bank and other borrowings	30	2,844,421	2,739,317
Mobile licence fee liabilities	31	365,922	502,192
Deferred income tax liabilities	25	134,002	145,402
		3,614,151	3,593,691
Net assets		3,907,953	3,249,530

CONSOLIDATED BALANCE SHEET

At 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$000	2014 \$000
Capital and reserves			
Share capital	32	105,668	104,599
Reserves		3,745,477	3,087,963
Total equity attributable to equity holders of the Company		3,851,145	3,192,562
Non-controlling interests		56,808	56,968
Total equity		3,907,953	3,249,530

The financial statements on pages 49 to 112 were approved by the Board of Directors on 1 September 2015 and were signed on its behalf.

Kwok Ping-luen, Raymond
Director

Chau Kam-kun, Stephen
Director

BALANCE SHEET

At 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$000	2014 \$000
Non-current assets			
Investments in subsidiaries	21(a)	4,700,343	4,715,696
Current assets			
Prepayments	24	203	176
Other receivables	24	959	–
Amounts due from subsidiaries	21(b)	43,884	3,468
Cash and cash equivalents	28	15,901	79
		60,947	3,723
Current liabilities			
Amounts due to subsidiaries/a subsidiary	21(b)	2,895,629	2,571,748
Other payables and accruals	29	3,051	3,029
Current income tax liabilities		93	214
		2,898,773	2,574,991
Net current liabilities		(2,837,826)	(2,571,268)
Total assets less current liabilities		1,862,517	2,144,428
Capital and reserves			
Share capital	32	105,668	104,599
Reserves	34	1,756,849	2,039,829
Total equity attributable to equity holders of the Company		1,862,517	2,144,428

The financial statements on pages 49 to 112 were approved by the Board of Directors on 1 September 2015 and were signed on its behalf.

Kwok Ping-luen, Raymond
Director

Chau Kam-kun, Stephen
Director

The notes on pages 58 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$000	2014 \$000
Cash flows from operating activities			
Profit before income tax		1,130,537	662,598
Adjustments for:			
Depreciation of fixed assets	20	705,652	684,471
Amortisation of leasehold land and land use rights	19	709	706
Amortisation of intangible assets	23	963,761	1,085,898
Loss/(gain) on disposal of fixed assets	10	18,068	(15,468)
Gain on disposal of financial investments	10	(236)	(194)
Finance income	8	(61,621)	(57,086)
Finance costs	9	174,921	201,887
Share-based payments	7	157	7,560
		2,931,948	2,570,372
Changes in working capital			
(Increase)/decrease in inventories		(1,902)	22,814
Decrease in trade receivables, deposits, prepayments and other receivables		123,201	45,803
Increase in trade and other payables, accruals and deferred income		80,982	209,247
Increase/(decrease) in customer prepayments and deposits		156,333	(430,778)
Cash generated from operations		3,290,562	2,417,458
Interest paid		(85,102)	(82,152)
Income tax paid		(5,722)	(180,822)
Purchase of tax reserve certificate		(252,362)	–
Net cash generated from operating activities		2,947,376	2,154,484
Cash flows from investing activities			
Payment for purchase of fixed assets		(757,103)	(823,888)
Proceeds from disposal of fixed assets		12,432	56,127
Payment of mobile licence fees	31	(193,344)	(183,220)
Distributions from available-for-sale financial assets		236	194
Additions of handset subsidies	23	(923,854)	(481,680)
(Increase)/decrease in short-term bank deposits		(510,913)	518,402
Interest received		53,941	54,454
Net cash used in investing activities		(2,318,605)	(859,611)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Note	2015 \$000	2014 \$000
Cash flows from financing activities			
Proceeds from shares issued under share option scheme	32(a)	109,820	1,791
Payment for repurchase of shares		–	(56,587)
Decrease in pledged bank deposits		3,690	–
Proceeds from bank borrowings		245,250	326,476
Repayment of bank borrowings		(123,263)	(77,644)
Payment of transaction costs of bank and other borrowings		(6,375)	(13,173)
Dividends paid to the Company's equity holders		(392,377)	(284,828)
Net cash used in financing activities		(163,255)	(103,965)
Net increase in cash and cash equivalents		465,516	1,190,908
Cash and cash equivalents at 1 July		1,836,773	645,502
Effect of foreign exchange rates changes		1,494	363
Cash and cash equivalents at 30 June	28	2,303,783	1,836,773
		2015 \$000	2014 \$000
In the consolidated cash flow statement, proceeds from disposal of fixed assets comprise:			
Net book amount of disposed fixed assets (note 20)		30,500	40,659
(Loss)/gain on disposal of fixed assets		(18,068)	15,468
Proceeds from disposal of fixed assets		12,432	56,127

The notes on pages 58 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company										
	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Exchange reserve \$000	Retained profits \$000	Total \$000	Non-controlling interests \$000	Total \$000
At 1 July 2013	103,794	177,450	1,381	10,260	307,257	69,316	8,252	2,308,205	2,985,915	62,063	3,047,978
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	537,110	537,110	(5,095)	532,015
Other comprehensive income											
Fair value gain on financial investments, net of tax	-	-	1,436	-	-	-	-	-	1,436	-	1,436
Currency translation differences	-	-	-	-	-	-	165	-	165	-	165
Total comprehensive income for the year ended 30 June 2014	-	-	1,436	-	-	-	165	537,110	538,711	(5,095)	533,616
Transactions with owners											
Share-based payments (note 7)	-	-	-	-	-	7,560	-	-	7,560	-	7,560
Issue of shares (note 32(a))	40	2,143	-	-	-	(392)	-	-	1,791	-	1,791
Repurchase of shares	(689)	-	-	689	(55,898)	-	-	(689)	(56,587)	-	(56,587)
Payment of 2013 final dividend	9	841	-	-	(228,347)	-	-	-	(227,497)	-	(227,497)
Payment of 2014 interim dividend (note 18)	1,445	127,855	-	-	-	-	-	(186,631)	(57,331)	-	(57,331)
Total transactions with owners	805	130,839	-	689	(284,245)	7,168	-	(187,320)	(332,064)	-	(332,064)
At 30 June 2014	104,599	308,289	2,817	10,949	23,012	76,484	8,417	2,657,995	3,192,562	56,968	3,249,530

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company										
	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Exchange reserve \$000	Retained profits \$000	Total \$000	Non-controlling interests \$000	Total \$000
At 1 July 2014	104,599	308,289	2,817	10,949	23,012	76,484	8,417	2,657,995	3,192,562	56,968	3,249,530
Comprehensive income											
Profit for the year	-	-	-	-	-	-	-	935,379	935,379	(160)	935,219
Other comprehensive income											
Fair value gain on financial investments, net of tax	-	-	5,195	-	-	-	-	-	5,195	-	5,195
Currency translation differences	-	-	-	-	-	-	409	-	409	-	409
Total comprehensive income for the year ended 30 June 2015	-	-	5,195	-	-	-	409	935,379	940,983	(160)	940,823
Transactions with owners											
Share-based payments (note 7)	-	-	-	-	-	157	-	-	157	-	157
Issue of shares (note 32(a))	857	130,119	-	-	-	(21,156)	-	-	109,820	-	109,820
Lapse of share option	-	-	-	-	2,041	(2,041)	-	-	-	-	-
Payment of 2014 final dividend (note 18)	91	9,908	-	-	-	-	-	(135,979)	(125,980)	-	(125,980)
Payment of 2015 interim dividend (note 18)	121	17,938	-	-	-	-	-	(284,456)	(266,397)	-	(266,397)
Total transactions with owners	1,069	157,965	-	-	2,041	(23,040)	-	(420,435)	(282,400)	-	(282,400)
At 30 June 2015	105,668	466,254	8,012	10,949	25,053	53,444	8,826	3,172,939	3,851,145	56,808	3,907,953

The notes on pages 58 to 112 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “HKSE”).

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 1 September 2015.

2 Summary of significant accounting policies

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

3 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

(a) Amendments to standards relevant to and adopted by the Group

The following amendments to standards are mandatory and relevant to the Group for the financial year beginning on 1 July 2014.

Annual Improvements Project	Annual Improvements 2010-2012 Cycle ²
Annual Improvements Project	Annual Improvements 2011-2013 Cycle ²
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(a) Amendments to standards relevant to and adopted by the Group *(continued)*

The adoption of the above amendments to standards has no significant impact on these financial statements.

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

The following new standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2015 or later periods but which the Group has not early adopted.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle ¹
HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ¹
HKFRS 9	Financial Instruments ²
HKFRS 10 and HKAS 28 (Amendments)	Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of assessing the impact of these new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operation and financial position.

In addition, the revised Rules Governing the Listing of Securities on the Stock Exchange on disclosure of financial information with reference to the new Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Group's first financial year ending on or after 30 June 2016. The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and disclosure of information in the consolidated financial statements will be affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(c) Consolidation

Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(d) An associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associate's post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the consolidated profit and loss account.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's senior executive management that makes strategic decision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Foreign exchange gains and losses that relate to bank and other borrowings, pledged bank deposits, short-term bank deposits and cash and cash equivalents are presented in the consolidated profit and loss account within "finance costs". All other foreign exchange gains and losses are presented in the consolidated profit and loss account within "other operating expenses".

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b. income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c. all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(f) Foreign currency translation *(continued)*

(iii) Group companies *(continued)*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(g) Intangible assets

Intangible assets are stated in the consolidated balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses as described in note 3(k).

(i) Mobile licence fees

Spectrum utilisation fees represent the payments for using the assigned spectrum to provide telecommunication services in Hong Kong within a specified period. The upfront payments and the present value of the annual fixed fees payable over the period are recorded as intangible assets, together with the related obligations. Amortisation is provided on a straight-line basis over the remaining assignment period from the date when the asset is ready for its intended use.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalised as part of the intangible asset consistent with the policy for borrowing costs as set out in note 3(r). Subsequent to the date when the asset is ready for its intended use, such finance costs will be charged to the consolidated profit and loss account in the year in which they are incurred.

Variable annual payments are recognised in the consolidated profit and loss account as incurred.

(ii) Handset subsidies

Handset subsidies provided to customers are deferred and amortised on a straight-line basis over the minimum enforceable contractual periods. In the event that a customer terminates the contract prior to the end of the minimum enforceable contractual period, the unamortised handset subsidies will be written off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(h) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvements	Over the lease term
Buildings	Over the lease term
Network and testing equipment	10% – 50%
Computer, billing and office telephone equipment	20% – 33 $\frac{1}{3}$ %
Other fixed assets	20% – 33 $\frac{1}{3}$ %

The cost of the network comprises assets and equipment of the telecommunications network purchased at cost. Depreciation of each part of the network commences from the date of launch of the relevant services.

No depreciation is provided for any part of the network under construction, including the equipment therein.

Other fixed assets comprise motor vehicles, equipment, furniture and fixtures.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(k)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within "depreciation, amortisation and loss on disposal" in the consolidated profit and loss account.

(i) Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents upfront prepayments made for the rights to use the land on which various plants and buildings are situated for periods varying from 10 to 50 years. Amortisation of leasehold land and land use rights is expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(j) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

(k) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "deposits", "bank deposits" and "cash and cash equivalents" in the consolidated balance sheet (note 3(n) and note 3(o) respectively). Impairment testing of trade receivables is described in note 3(n).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(l) Financial assets *(continued)*

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated profit and loss account as “other operating expenses”.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account) is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(m) Inventories

Inventories, comprising handsets and accessories, are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the provision is recognised in the consolidated profit and loss account within "other operating expenses".

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit and loss account.

(o) Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(q) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method.

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and the associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The current tax liability includes liability for uncertain tax position measured using the single best estimate of the most likely outcome of the amounts to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(s) Current and deferred income tax

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and an associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates except where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and an associate only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(t) Provisions *(continued)*

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave arising from services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave, maternity or paternity leave and marriage leave are not recognised until the time of leave.

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the equity holders of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Retirement benefits

The Group operates defined contribution retirement schemes (including Mandatory Provident Funds) for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant group companies.

Contributions to defined contribution plans, including contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the consolidated profit and loss account when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group pays fixed contributions and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(u) Employee benefits *(continued)*

(iv) Share-based payments

The Group operates an equity-settled, share-based compensation plan under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, including any market performance conditions (for example, an entity's share price) and the impact of any non-vesting conditions but excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit and loss account with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity in the parent entity financial statements.

(v) Contingent assets and liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised in the consolidated profit and loss account as follows:

(i) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed and collectability of the related receivables is reasonably assured.

(ii) Provision of services

Revenue from services is measured based on the usage of the Group's telecommunications network and facilities and is recognised when the services are rendered. Service revenue in respect of standard service plans billed in advance is deferred and included under deferred income.

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continuously unwind the discount as interest income.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Basis of preparation *(continued)*

(y) Financial guarantee

A financial guarantee contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group recognises financial guarantee contract as insurance contract, and performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated profit and loss account immediately.

(z) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals including key management or other entities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of fixed assets

The fixed assets used in the network are long-lived but may be subject to technical obsolescence. The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of fixed assets. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. The useful lives are estimated at the time the purchases are made after considering the future technology changes, business developments and the Group's strategies. Should there be unexpected adverse changes in the circumstances or events, the Group assesses the need to shorten the useful lives and/or make impairment provisions. Indications of these unexpected adverse changes include declines in projected operating results, negative industry or economic trends and rapid advancement in technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements *(continued)*

(b) Asset retirement obligations

The Group evaluates and recognises, on a regular basis, the fair value of fixed assets and obligations which arise from future reinstatement of leased properties upon end of lease terms. To establish the fair values of the asset retirement obligations, estimates and judgement are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the types of leased properties, probability of renewal of lease terms and restoration costs. The discount rate used is referenced to the Group's historical weighted average cost of capital.

(c) Impairment of assets

At each balance sheet date, the Group performs an impairment assessment of fixed assets and intangible assets.

Management judgement is required in the area of asset impairment, particularly in assessing whether (1) an event has occurred that may affect asset values; (2) the carrying value of an asset can be supported by the net present value of future cash flows from the assets using estimated cash flow projections; and (3) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumption in the cash flows projections, could significantly affect the Group's reported financial condition and results of operations.

(d) Current and deferred income tax

The Group is subject to income taxes. There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group has exercised its critical judgement in determining the taxability of certain income and deductibility of certain payments in assessing the Group's current and deferred taxation, which are revisited from time to time. In prior years, the Group had taken the position in the past to treat the one-off upfront payments for spectrum utilisation fees as tax-deductible on the same basis as for annual payments. Commencing from the year ended 30 June 2014, in light of the uncertainty of the outcome of the tax deductibility of the spectrum utilisation fee by the Inland Revenue Department ("IRD"), the payment has been treated as non-deductible on cash or amortisation basis, and an under-provision for current income tax of approximately \$250 million and reversal of deferred tax of approximately \$228 million was recorded for the year ended 30 June 2014. While the Group will vigorously defend its position and pursue tax deduction for the one-off upfront payments for spectrum utilisation, should the IRD decide to treat the one-off upfront payments for spectrum utilisation fees as non-deductible on cash or amortisation basis and this view be upheld, the Group effective tax rate in subsequent years is also likely to be higher than 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Financial risk management

This section presents information about the Group's management and control of financial risks. The major types of financial risk to which the Group was exposed include market risk (including foreign currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's treasury policy, approved from time to time by the board of directors, is designed to minimise the Group's exposure to financial risks. The Group's risk management policy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Group's financial performance.

(a) Financial risks

(i) Market risk

The Group's market risk consists of foreign currency risk, interest rate risk and price risk. There has been no change to the manner in which the Group manages and measures such risks.

Foreign currency risk

Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, primarily with respect to the US dollar, Euro, Macau Pataca and Renminbi. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the People's Republic of China. Any change in the exchange rates of these currencies to Hong Kong dollar will impact the Group's operating results.

Certain of the assets and liabilities of the Group are principally denominated in US dollar. Hong Kong dollar is pegged to US dollar, and thus foreign exchange exposure is considered as minimal. The Group currently does not undertake any foreign currency hedging.

The carrying amounts of net financial liabilities of the Group in foreign currencies are as follows:

	2015	2014
	\$000	\$000
US dollar	(3,026,757)	(2,848,380)
Renminbi	1,042,776	1,522,382
Others	(25,118)	(18,549)
Net financial liabilities	(2,009,099)	(1,344,547)

At 30 June 2015, if Hong Kong dollar had weakened or strengthened by 1% against the US dollar with all other variables held constant, the pre-tax profit of the Group would decrease or increase by approximately \$30,268,000 (2014: \$28,484,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Financial risk management *(continued)*

(a) Financial risks *(continued)*

(i) Market risk *(continued)*

Foreign currency risk (continued)

At 30 June 2015, if Hong Kong dollar had weakened or strengthened by 1% against Renminbi with all other variables held constant, the pre-tax profit of the Group would increase or decrease by approximately \$10,428,000 (2014: \$15,224,000).

Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from the holding of bank deposits and bank and other borrowings. Bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates. Bank and other borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group follows a policy which involves close monitoring of interest rate movements and entering into new banking facilities when favourable pricing opportunities arise.

At 30 June 2015, if interest rates had increased or decreased by 100 basis points and all other variables were held constant, the pre-tax profit of the Group would increase or decrease by approximately \$35,766,000 (2014: \$25,980,000) mainly as a result of higher or lower net interest income on bank deposits and interest expenses on bank borrowings.

The 100 basis point movement represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date.

Price risk

The Group is exposed to price risk through its holding of available-for-sale financial assets. The available-for-sale financial assets are stated at fair values based on the net asset value per unit of the respective funds as determined by the managers of the relevant funds. The Group manages its exposure by closely monitoring the price movements and the change in market conditions that may affect the values of these investments.

At 30 June 2015, if the fair value of the available-for-sale financial assets had increased or decreased by 10% and all other variables were held constant, the investment revaluation reserve of the Group would increase or decrease by approximately \$991,000 (2014: \$472,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Financial risk management *(continued)*

(a) Financial risks *(continued)*

(ii) Credit risk

The Group's holding of cash and bank balances expose the Group to credit risk of the counterparties. The Group manages its credit risk to non-performance of its counterparties by monitoring their credit ratings and setting approved counterparty limits that are regularly reviewed. In accordance with the treasury policy, the Group invests its surplus funds by placing deposits with credit worthy banks and financial institutions or investing in held-to-maturity debt securities of investment grade, with a minimum credit rating of BBB- as rated by Standard & Poor's.

The Group is also exposed to credit risk from its operating activities. The credit periods granted by the Group to its customers generally range from 15 days to 45 days from the date of invoice. The Group does not have a significant exposure to any individual debtor.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met.

The Group maintains a conservative level of liquid assets to ensure the availability of sufficient cash to meet any unexpected and material cash requirements in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Financial risk management *(continued)*

(a) Financial risks *(continued)*

(iii) Liquidity risk *(continued)*

Group

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	1 year or less \$000	1 year to 2 years \$000	2 years to 5 years \$000	Over 5 years \$000	Total \$000
At 30 June 2015					
Trade payables	754,944	–	–	–	754,944
Other payables and accruals	846,914	–	–	–	846,914
Bank and other borrowings	219,576	215,923	1,131,158	2,035,783	3,602,440
Mobile licence fee liabilities	203,469	213,593	187,050	100,630	704,742
Total	2,024,903	429,516	1,318,208	2,136,413	5,909,040

	1 year or less \$000	1 year to 2 years \$000	2 years to 5 years \$000	Over 5 years \$000	Total \$000
At 30 June 2014					
Trade payables	778,119	–	–	–	778,119
Other payables and accruals	844,763	–	–	–	844,763
Bank and other borrowings	178,369	181,031	1,023,376	2,100,964	3,483,740
Mobile licence fee liabilities	193,345	203,469	338,293	162,980	898,087
Total	1,994,596	384,500	1,361,669	2,263,944	6,004,709

Company

The contractual maturity of the Company's undiscounted cash flows of financial liabilities at 30 June 2015, including amounts due to subsidiaries, and other payables and accruals, based on the earliest date on which the Company can be required to pay is within 1 year (2014: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Financial risk management *(continued)*

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as total equity attributable to equity holders of the Company, comprising share capital and reserves. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, projected operating cash flows and projected capital expenditures.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank and other borrowings as shown in the consolidated balance sheet less cash and cash equivalents, short-term bank deposits and short-term pledged bank deposits.

	2015 \$000	2014 \$000
Total bank and other borrowings (note 30)	2,968,772	2,840,218
Less: cash and cash equivalents (note 28)	(2,303,783)	(1,836,773)
Less: short-term bank deposits (note 28)	(1,838,734)	(1,321,651)
Less: short-term pledged bank deposits (note 28)	(2,579)	(6,269)
Net cash	(1,176,324)	(324,475)
Total equity	3,907,953	3,249,530
Gearing ratio	N/A	N/A

(c) Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Financial risk management *(continued)*

(c) Fair value estimation *(continued)*

The following table presents the Group's assets that are measured at fair value at 30 June 2015 and 2014.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Assets				
Available-for-sale financial assets (note 27)				
At 30 June 2015	–	9,910	–	9,910
At 30 June 2014	–	4,715	–	4,715

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

6 Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 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 2015			
	Hong Kong \$000	Macau \$000	Elimination \$000	Consolidated \$000
Revenues	18,438,493	858,149	(637,806)	18,658,836
EBITDA	2,871,944	59,847	–	2,931,791
Depreciation, amortisation and loss on disposal	(1,629,321)	(58,987)	354	(1,687,954)
Operating profit	1,242,623	860	354	1,243,837
Finance income				61,621
Finance costs				(174,921)
Profit before income tax				1,130,537
Other information				
Additions to fixed assets	639,211	40,873	–	680,084
Additions to intangible assets	909,383	14,471	–	923,854
Depreciation	661,855	43,852	(55)	705,652
Amortisation of leasehold land and land use rights	709	–	–	709
Amortisation of intangible assets	950,217	13,544	–	963,761
Loss on disposal of fixed assets	16,776	1,591	(299)	18,068
Gain on disposal of financial investments	(236)	–	–	(236)
Impairment loss of trade receivables	13,431	89	–	13,520
Reversal of impairment loss of inventories	(6,069)	(510)	–	(6,579)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Segment reporting *(continued)*

(a) Segment results *(continued)*

	For the year ended 30 June 2014			
	Hong Kong \$000	Macau \$000	Elimination \$000	Consolidated \$000
Revenues	13,031,625	753,628	(540,853)	13,244,400
EBITDA	2,515,636	47,176	–	2,562,812
Depreciation, amortisation and gain on disposal	(1,692,785)	(63,716)	1,088	(1,755,413)
Operating profit/(loss)	822,851	(16,540)	1,088	807,399
Finance income				57,086
Finance costs				(201,887)
Profit before income tax				662,598
Other information				
Additions to fixed assets	899,264	36,160	–	935,424
Additions to intangible assets	470,035	11,645	–	481,680
Depreciation	638,678	45,897	(104)	684,471
Amortisation of leasehold land and land use rights	706	–	–	706
Amortisation of intangible assets	1,068,299	17,599	–	1,085,898
(Gain)/loss on disposal of fixed assets	(14,704)	220	(984)	(15,468)
Gain on disposal of financial investments	(194)	–	–	(194)
Impairment loss of trade receivables	14,531	183	–	14,714
Impairment loss of inventories	3,991	157	–	4,148

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Segment reporting *(continued)*

(b) Segment assets/(liabilities)

	At 30 June 2015			Consolidated \$000
	Hong Kong \$000	Macau \$000	Unallocated \$000	
Segment assets	10,184,261	361,013	269,078	10,814,352
Segment liabilities	(6,079,931)	(148,941)	(677,527)	(6,906,399)

	At 30 June 2014			Consolidated \$000
	Hong Kong \$000	Macau \$000	Unallocated \$000	
Segment assets	9,396,525	383,370	12,059	9,791,954
Segment liabilities	(5,893,369)	(160,588)	(488,467)	(6,542,424)

The total of non-current assets other than interest in an associate and deferred income tax assets located in Hong Kong is \$5,517,589,000 (2014: \$5,609,187,000), and the total of these non-current assets located in Macau is \$253,992,000 (2014: \$258,002,000).

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

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

7 Staff costs

	2015 \$000	2014 \$000
Wages and salaries	624,951	600,726
Bonuses	75,000	30,709
Contributions to defined contribution plans*	40,410	39,898
Share-based payments	157	7,560
	740,518	678,893

* Net of forfeited contributions of \$1,027,000 (2014: \$458,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Finance income

	2015 \$000	2014 \$000
Interest income from bank deposits	60,473	56,453
Accretion income	1,148	633
	61,621	57,086

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.

9 Finance costs

	2015 \$000	2014 \$000
Interest expense		
Bank and other borrowings wholly repayable within 5 years	9,103	8,988
Bank and other borrowings not wholly repayable within 5 years	91,088	85,741
Bank charges for credit card instalment	13,192	6,949
Accretion expenses		
Mobile licence fee liabilities (note 31)	66,866	80,085
Asset retirement obligations	1,777	2,116
Net exchange (gain)/loss on financing activities (note 15)	(7,105)	18,008
	174,921	201,887

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Profit before income tax

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

	2015 \$000	2014 \$000
Charging:		
Cost of services provided	421,395	467,382
Operating lease rentals for land and buildings, transmission sites and leased lines	1,017,197	987,197
Impairment loss of trade receivables (note 24)	13,520	14,714
Impairment loss of inventories (note 26)	–	4,148
Auditor's remuneration		
– Audit services	2,549	2,343
– Non-audit services	1,062	1,290
Net exchange loss (note 15)	–	25,120
Loss on disposal of fixed assets	18,068	–
Depreciation of fixed assets, leasehold land and land use rights	706,361	685,177
Amortisation of handset subsidies	773,942	942,068
Amortisation of mobile licence fees	189,819	143,830
Crediting:		
Gain on disposal of fixed assets	–	15,468
Gain on disposal of financial investments	236	194
Net exchange gain (note 15)	278	–
Reversal of impairment loss of inventories (note 26)	6,579	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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:

	2015 \$000	2014 \$000
Current income tax		
Hong Kong profits tax	203,774	95,266
Overseas tax	2,388	1,529
(Over)/under-provision in prior years		
Hong Kong profits tax	(133)	249,169
Overseas tax	151	–
	206,180	345,964
Deferred income tax assets (note 25(a))	538	208
Deferred income tax liabilities (note 25(b))	(11,400)	22,426
Over-provision in prior years		
Deferred income tax (note 25(b))	–	(238,015)
	195,318	130,583

- (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 as follows:

	2015 \$000	2014 \$000
Profit before income tax	1,130,537	662,598
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2014: 16.5%)	186,539	109,329
Effect of different tax rates in other countries	1,275	1,457
Expenses not deductible for tax purposes	131	3,134
Income not subject to tax	(10,997)	(9,179)
Under-provision in prior years	18	11,154
Tax loss not recognised	1,550	4,063
Temporary differences not recognised	16,802	10,625
	195,318	130,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2015	2014
	\$000	\$000
Non-executive directors		
Fees	1,966	1,890
Executive directors		
Fees	270	240
Salaries and allowances	15,979	14,364
Bonuses	8,629	12,490
Retirement scheme contributions	1,599	1,436
Share-based payments	–	3,104
	26,477	31,634
	28,443	33,524

During the years ended 30 June 2015 and 2014, no director:

- received any emoluments from Sun Hung Kai Properties Limited ("SHKP"), the ultimate holding company of the Company, in respect of their services to the Group;
- waived any right to receive emoluments; or
- received any amounts as inducement to join the Group or as compensation for loss of office.

In addition to the above emoluments, directors were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the section "Share Option Scheme" in the Report of the Directors and note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Directors' emoluments (continued)

Details of directors' emoluments, on a named basis for the year are as follows:

	2015					Total \$000	2014 Total \$000
	Fees \$000	Salaries and allowances \$000	Bonuses \$000	Retirement scheme contributions \$000	Share-based payments \$000		
Executive Directors							
Mr. Douglas Li ⁽¹⁾	120	10,315	8,074	1,032	–	19,541	25,468
Mr. Chan Kai-lung, Patrick	120	4,516	555	452	–	5,643	6,166
Mr. Chau Kam-kun, Stephen ⁽²⁾	30	1,148	–	115	–	1,293	–
Non-Executive Directors							
Mr. Kwok Ping-luen, Raymond	150	–	–	–	–	150	150
Mr. Cheung Wing-yui ⁽³⁾	128	–	–	–	–	128	120
Mr. Fung Yuk-lun, Allen ⁽³⁾	128	–	–	–	–	128	60
Mr. David Norman Prince	120	–	–	–	–	120	120
Mr. Siu Hon-wah, Thomas	120	–	–	–	–	120	120
Mr. Tsim Wing-kit, Alfred	240	–	–	–	–	240	240
Mr. John Anthony Miller	120	–	–	–	–	120	120
Dr. Li Ka-cheung, Eric, JP*	240	–	–	–	–	240	240
Mr. Ng Leung-sing, JP*	240	–	–	–	–	240	240
Mr. Yang Xiang-dong*	120	–	–	–	–	120	120
Mr. Gan Fock-kin, Eric*	240	–	–	–	–	240	240
Mrs. Ip Yeung See-ming, Christine*	120	–	–	–	–	120	120
	2,236	15,979	8,629	1,599	–	28,443	33,524
2014	2,130	14,364	12,490	1,436	3,104		

- * Independent Non-Executive Director
⁽¹⁾ Mr. Douglas Li is also the Chief Executive Officer of the Company
⁽²⁾ Appointed on 2 April 2015
⁽³⁾ Appointed as Deputy Chairmen on 19 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Five highest paid individuals

Of the five highest paid individuals, two (2014: two) are directors whose emoluments are disclosed in note 12. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015	2014
	\$000	\$000
Salaries and allowances	8,523	9,386
Bonuses	1,031	1,325
Retirement scheme contributions	708	791
Share-based payments	–	724
	10,262	12,226

In addition to the above emoluments, the three highest paid individuals were granted share options under the Company's share option scheme. The details of these benefits in kind are disclosed under the section "Share Option Scheme" in the Report of the Directors and note 33.

The emoluments of the three (2014: three) highest paid individuals are within the following bands:

	2015	2014
	Number of	Number of
	Individuals	Individuals
\$2,500,001 – \$3,000,000	1	1
\$3,000,001 – \$3,500,000	1	–
\$3,500,001 – \$4,000,000	–	1
\$4,000,001 – \$4,500,000	1	–
\$6,000,001 – \$6,500,000	–	1
	3	3

One of the three highest paid individuals has been appointed as Executive Director since 2 April 2015. Part of his emoluments are disclosed in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Employee retirement benefits

The Group participates in two defined contribution retirement schemes, an Occupational Retirement Scheme ("ORSO") and a Mandatory Provident Fund Scheme ("MPF"), for employees (together the "Schemes"). The assets of the Schemes are held separately from those of the Group in funds administered independently of the Group's management.

Contributions to the ORSO scheme by the Group and the employees are calculated as specified percentages of each employee's basic salary. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. As at 30 June 2015, all available forfeited contributions had been utilised by the Group to reduce its contributions payable (2014: same).

The MPF scheme was established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000 and the Group's employees may elect to join the MPF scheme. Both the Group and the employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000 (2014: \$25,000 to \$30,000). Contributions to the scheme vest immediately.

15 Net exchange (gain)/loss

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

	2015 \$000	2014 \$000
Other operating expenses	6,827	7,112
Finance costs (note 9)	(7,105)	18,008
	(278)	25,120

16 Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company includes a profit of \$489,000 (2014: loss of \$234,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 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.

	2015	2014
Profit attributable to equity holders of the Company (\$'000)	935,379	537,110
Weighted average number of ordinary shares in issue	1,049,218,107	1,039,783,051
Basic earnings per share (cents per share)	89.2	51.7

(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, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2015	2014
Profit attributable to equity holders of the Company (\$'000)	935,379	537,110
Weighted average number of ordinary shares in issue	1,049,218,107	1,039,783,051
Adjustment for dilutive share options	509,833	128,996
Weighted average number of ordinary shares for diluted earnings per share	1,049,727,940	1,039,912,047
Diluted earnings per share (cents per share)	89.1	51.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Dividends

	2015 \$000	2014 \$000
Interim dividend, paid, of 27 cents (2014: 18 cents) per share	284,456	186,631
Final dividend, proposed, of 33 cents (2014: 13 cents) per share	349,449	135,979
	633,905	322,610

For the dividends attributable to the years ended 30 June 2015 and 2014, scrip dividend elections were offered to shareholders. Shares issued during the year on the shareholders' election to receive shares are set out in note 32.

At a meeting held on 1 September 2015, the directors proposed a final dividend of 33 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 2016.

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 2015 and 2014 have been disclosed in the consolidated profit and loss account in accordance with the Hong Kong Companies Ordinance.

19 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are outside Hong Kong and held on leases between 10 to 50 years.

	2015 \$000	2014 \$000
At 1 July	14,651	15,306
Amortisation of leasehold land and land use rights	(709)	(706)
Exchange differences	96	51
At 30 June	14,038	14,651

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20 Fixed assets

	Leasehold improvements \$000	Buildings \$000	Network and testing equipment \$000	Computer, billing and office telephone equipment \$000	Other fixed assets \$000	Network under construction \$000	Total \$000
At 30 June 2013							
Cost	221,539	157,368	6,133,945	819,584	131,143	515,892	7,979,471
Accumulated depreciation	(171,237)	(5,285)	(3,846,295)	(680,554)	(90,463)	–	(4,793,834)
Net book amount	50,302	152,083	2,287,650	139,030	40,680	515,892	3,185,637
Year ended 30 June 2014							
Opening net book amount	50,302	152,083	2,287,650	139,030	40,680	515,892	3,185,637
Exchange differences	16	20	–	88	1	–	125
Additions	19,500	–	21,664	80,229	5,822	808,209	935,424
Reclassifications	–	–	707,017	–	–	(707,017)	–
Disposals	–	–	(33,259)	(6)	(4)	(7,390)	(40,659)
Depreciation	(20,638)	(4,377)	(571,878)	(80,020)	(7,558)	–	(684,471)
Closing net book amount	49,180	147,726	2,411,194	139,321	38,941	609,694	3,396,056
At 30 June 2014							
Cost	232,657	157,392	6,413,786	890,090	122,745	609,694	8,426,364
Accumulated depreciation	(183,477)	(9,666)	(4,002,592)	(750,769)	(83,804)	–	(5,030,308)
Net book amount	49,180	147,726	2,411,194	139,321	38,941	609,694	3,396,056
Year ended 30 June 2015							
Opening net book amount	49,180	147,726	2,411,194	139,321	38,941	609,694	3,396,056
Exchange differences	17	39	–	16	3	–	75
Additions	16,005	–	23,676	77,744	10,120	552,539	680,084
Reclassifications	–	–	702,293	–	–	(702,293)	–
Disposals	(532)	–	(23,979)	(109)	(214)	(5,666)	(30,500)
Depreciation	(21,192)	(3,964)	(597,278)	(75,227)	(7,991)	–	(705,652)
Closing net book amount	43,478	143,801	2,515,906	141,745	40,859	454,274	3,340,063
At 30 June 2015							
Cost	239,971	157,443	6,649,279	958,917	125,856	454,274	8,585,740
Accumulated depreciation	(196,493)	(13,642)	(4,133,373)	(817,172)	(84,997)	–	(5,245,677)
Net book amount	43,478	143,801	2,515,906	141,745	40,859	454,274	3,340,063

At 30 June 2015, buildings with a carrying amount of \$84,935,000 (2014: \$87,374,000) were pledged as security for bank borrowings of the Group (note 30).

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(Expressed in Hong Kong dollars)

21 Investments in subsidiaries

(a) Investments in subsidiaries

	2015 \$000	2014 \$000
Unlisted shares, at cost	939,189	939,189
Amount due from a subsidiary	3,703,065	3,703,065
Contribution relating to share-based payments	75,772	75,643
Reversal of contribution upon recharge to subsidiaries on exercise of share options	(17,683)	(2,201)
	4,700,343	4,715,696

Particulars of the principal subsidiaries at 30 June 2015 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Group equity interest
SmarTone (BVI) Limited*	The British Virgin Islands ("BVI")	Investment holding and group financing in BVI	1,000 ordinary shares of US\$1 each	100%
SmarTone Mobile Communications Limited	Hong Kong	Provision of mobile services and sales of mobile handsets and accessories in Hong Kong	100,000,000 ordinary shares of \$1 each	100%
SmarTone Communications Limited	Hong Kong	Provision of wireless fixed services in Hong Kong	2 ordinary shares of \$1 each	100%
SmarTone Finance Limited	BVI	Issuance of guaranteed notes in Hong Kong	1 ordinary share of US\$1 each	100%
SmarTone-Comunicações Móveis, S.A.	Macau	Provision of mobile services and sales of mobile handsets and accessories in Macau	100,000 shares of MOP100 each	72%
廣州數碼通客戶服務有限公司	The People's Republic of China	Provision of customer support services and telemarketing services in Mainland China	Registered capital of \$27,400,000	100%

* Subsidiary held directly by the Company.

All of the above subsidiaries are limited liability companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Investments in subsidiaries *(continued)*

(b) Amounts due from/(to) subsidiaries

	2015 \$000	2014 \$000
Amounts due from subsidiaries	43,884	3,468
Amounts due to subsidiaries/a subsidiary	(2,895,629)	(2,571,748)
	(2,851,745)	(2,568,280)

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts approximate their fair values.

22 Interest in an associate

	2015 \$000	2014 \$000
Share of net assets	3	3

During the year ended 30 June 2015, there is no movement of share of net assets of interest in an associate (2014: same).

Particulars of the associate at 30 June 2015 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Interest held
New Top Finance Limited	BVI	Investment holding in BVI	375 ordinary shares of US\$1 each	37.5%

The Group has not disclosed the assets, liabilities, and retained profits of the associate as the amounts are immaterial to the Group. The carrying amount approximates its fair value.

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(Expressed in Hong Kong dollars)

23 Intangible assets

	Handset subsidies \$000	Mobile licence fees \$000	Total \$000
At 30 June 2013			
Cost	2,896,519	2,492,108	5,388,627
Accumulated amortisation	(1,735,730)	(663,677)	(2,399,407)
Net book amount	1,160,789	1,828,431	2,989,220
Year ended 30 June 2014			
Opening net book amount	1,160,789	1,828,431	2,989,220
Additions	481,680	–	481,680
Amortisation*	(942,068)	(143,830)	(1,085,898)
Disposal	(6,950)	–	(6,950)
Closing net book amount	693,451	1,684,601	2,378,052
At 30 June 2014			
Cost	2,418,887	2,492,108	4,910,995
Accumulated amortisation	(1,725,436)	(807,507)	(2,532,943)
Net book amount	693,451	1,684,601	2,378,052
Year ended 30 June 2015			
Opening net book amount	693,451	1,684,601	2,378,052
Additions	923,854	–	923,854
Amortisation*	(773,942)	(189,819)	(963,761)
Disposal	(19,431)	–	(19,431)
Closing net book amount	823,932	1,494,782	2,318,714
At 30 June 2015			
Cost	2,265,700	2,492,108	4,757,808
Accumulated amortisation	(1,441,768)	(997,326)	(2,439,094)
Net book amount	823,932	1,494,782	2,318,714

* Included handset subsidies written off of \$5,605,000 (2014: \$6,805,000).

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(Expressed in Hong Kong dollars)

24 Trade and other receivables

	Group		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Trade receivables	344,391	447,817	–	–
Less: provision for impairment of trade receivables	(11,896)	(12,068)	–	–
Trade receivables – net	332,495	435,749	–	–
Deposits and prepayments	267,815	257,598	203	176
Other receivables	44,801	52,746	959	–
	645,111	746,093	1,162	176
Less: deposits and prepayments included under non-current assets	(98,766)	(78,430)	–	–
Current assets	546,345	667,663	1,162	176

The carrying amounts of trade and other receivables approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying amounts of deposits, trade and other receivables. The Group does not hold any collateral as security.

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:

	Group	
	2015 \$000	2014 \$000
Current to 30 days	296,580	410,723
31 – 60 days	17,603	12,746
61 – 90 days	5,420	3,683
Over 90 days	12,892	8,597
	332,495	435,749

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 \$13,520,000 (2014: \$14,714,000) for the impairment of its trade receivables during the year ended 30 June 2015. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Trade and other receivables *(continued)*

As at 30 June 2015, trade receivables of \$52,162,000 (2014: \$37,985,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2015	2014
	\$000	\$000
Within 30 days	16,247	25,705
31 – 60 days	17,603	3,683
Over 60 days	18,312	8,597
	52,162	37,985

The carrying amounts of the Group's trade and other receivables are mainly denominated in Hong Kong dollars which accounted for 79% (2014: 78%).

The movements on the provision for impairment of trade receivables are as follows:

	2015	2014
	\$000	\$000
At 1 July	12,068	16,693
Impairment loss recognised in the consolidated profit and loss account (note 10)	13,520	14,714
Amounts written off during the year	(13,692)	(19,339)
At 30 June	11,896	12,068

At 30 June 2015, trade receivables of \$11,896,000 (2014: \$12,068,000) were impaired and fully provided. The individually impaired receivables mainly relate to independent customers that were in financial difficulties. The ageing of these receivables is as follows:

	2015	2014
	\$000	\$000
31 – 60 days	1,514	1,462
61 – 90 days	1,641	1,481
Over 90 days	8,741	9,125
	11,896	12,068

The other classes within trade and other receivables do not contain impaired assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Deferred income tax

Deferred income tax for the Group's temporary differences arising from operations in Hong Kong and overseas is calculated at 16.5% (2014: 16.5%) and the appropriate current tax rates ruling in the relevant countries respectively.

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2015 \$000	2014 \$000
Deferred income tax assets		
To be recovered after more than 12 months	(6,803)	(7,341)
Deferred income tax liabilities		
To be settled after more than 12 months	134,002	145,402
Deferred income tax liabilities, net	127,199	138,061

The movement in deferred income tax (assets)/liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Decelerated depreciation allowance \$000
At 1 July 2013	(7,549)
Recognised in the consolidated profit and loss account (note 11(a))	208
At 30 June 2014	(7,341)
At 1 July 2014	(7,341)
Recognised in the consolidated profit and loss account (note 11(a))	538
At 30 June 2015	(6,803)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Deferred income tax *(continued)*

(b) Deferred income tax liabilities

	Mobile licence fee (assets)/ liabilities \$000	Accelerated depreciation allowance \$000	Total \$000
At 1 July 2013	171,000	189,991	360,991
Recognised in the consolidated profit and loss account (note 11(a))	(234,478)	18,889	(215,589)
At 30 June 2014	(63,478)	208,880	145,402
At 1 July 2014	(63,478)	208,880	145,402
Recognised in the consolidated profit and loss account (note 11(a))	7,388	(18,788)	(11,400)
At 30 June 2015	(56,090)	190,092	134,002

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of \$3,684,000 (2014: \$4,933,000) in respect of tax losses of \$27,183,000 (2014: \$36,515,000). Under the current tax legislation, unrecognised tax losses of \$17,806,000 (2014: \$24,271,000) related to a subsidiary operating in Macau are subject to an expiry period of three years from the year in which the tax loss arises. The remaining tax losses do not expire under current tax legislation.

26 Inventories

	2015 \$000	2014 \$000
Handsets and accessories, at cost	100,000	104,677
Less: provision for slow-moving and obsolete inventories	(17,748)	(24,327)
	82,252	80,350

The Group recognised a reversal of impairment provision of \$6,579,000 (2014: impairment provision of \$4,148,000) for slow-moving and obsolete inventories during the year ended 30 June 2015. The amount reversed has been included in "cost of inventories sold" in the consolidated profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Financial investments

	2015 \$000	2014 \$000
Available-for-sale financial assets	9,910	4,715

Movement of available-for-sale financial assets is as follows:

	2015 \$000	2014 \$000
At 1 July	4,715	3,279
Fair value gain transferred to equity	5,195	1,436
At 30 June	9,910	4,715

The available-for-sale financial assets are denominated in US dollars, unlisted and traded on inactive markets and of private issuers.

The available-for-sale financial assets are stated at fair value based on the net asset value per unit of the respective funds as determined by the managers of the relevant funds. The fair values are within level 2 of the fair value hierarchy (note 5(c)).

None of these financial assets is impaired.

28 Pledged bank deposits, short-term bank deposits and cash and cash equivalents

	Group		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Cash at bank and in hand	275,263	317,699	15,901	79
Short-term bank deposits with original maturities of 3 months or less	2,028,520	1,519,074	–	–
Cash and cash equivalents	2,303,783	1,836,773	15,901	79
Short-term bank deposits with original maturities more than 3 months	1,838,734	1,321,651	–	–
Short-term pledged bank deposits	2,579	6,269	–	–
	4,145,096	3,164,693	15,901	79
Maximum exposure to credit risk	4,139,796	3,160,160	15,901	79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 Pledged bank deposits, short-term bank deposits and cash and cash equivalents *(continued)*

There is no concentration of credit risk with respect to bank balances, as the Group has placed deposits with a number of banks.

At 30 June 2015, short-term pledged bank deposits are mainly pledged for the issuance of bank guarantees by a bank in favour of the Airport Authority.

At 30 June 2014, short-term pledged bank deposits are mainly pledged for the issuance of performance bond by a bank in favour of the Telecommunications Authority of Macau as referred to in note 35(c).

Pledged bank deposits, short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Hong Kong dollars	3,037,547	1,552,322	15,901	79
US dollars	51,338	68,925	–	–
Euro	62	78	–	–
Renminbi	1,035,410	1,515,480	–	–
Others	20,739	27,888	–	–
	4,145,096	3,164,693	15,901	79

29 Trade and other payables

	Group		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Trade payables (a)	754,944	778,119	–	–
Other payables and accruals (b)	863,191	859,250	3,051	3,029
	1,618,135	1,637,369	3,051	3,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29 Trade and other payables (continued)

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

	Group	
	2015 \$000	2014 \$000
Current to 30 days	715,044	691,235
31 – 60 days	16,187	45,683
61 – 90 days	1,595	14,460
Over 90 days	22,118	26,741
	754,944	778,119

The carrying amount of the Group's trade payables are mainly denominated in US dollars which accounted for 87% (2014: 86%).

(b) An analysis of other payables and accruals is as follows:

	Group		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Accrued expenses	403,286	322,072	3,051	3,029
Payables for fixed assets	400,454	463,650	–	–
Receipt in advance	59,451	73,528	–	–
	863,191	859,250	3,051	3,029

30 Bank and other borrowings

	2015 \$000	2014 \$000
Secured bank borrowings	66,000	66,000
Unsecured bank borrowings	1,377,016	1,251,824
Guaranteed notes (a)	1,525,756	1,522,394
	2,968,772	2,840,218
Less: Bank borrowings included under current liabilities	(124,351)	(100,901)
Non-current portion	2,844,421	2,739,317

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 Bank and other borrowings *(continued)*

The maturity of long-term bank and other borrowings are as follows:

	2015 \$000	2014 \$000
Between 1 and 2 years	126,131	101,053
Between 2 and 5 years	899,918	806,741
Over 5 years	1,818,372	1,831,523
	2,844,421	2,739,317

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2015				
Secured bank borrowings	–	66,000	–	66,000
Unsecured bank borrowings	–	1,118,598	–	1,118,598
Guaranteed notes	1,453,392	–	–	1,453,392
Total	1,453,392	1,184,598	–	2,637,990

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2014				
Secured bank borrowings	–	65,616	–	65,616
Unsecured bank borrowings	–	1,085,901	–	1,085,901
Guaranteed notes	1,386,309	–	–	1,386,309
Total	1,386,309	1,151,517	–	2,537,826

At 30 June 2015, 81% (2014: 80%) of the Group's bank and other borrowings are denominated in US dollars and 19% (2014: 20%) are denominated in Hong Kong dollars.

At 30 June 2015, secured bank borrowings are secured by certain buildings of the Group (note 20) (2014: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 Mobile licence fee liabilities

	2015 \$000	2014 \$000
At 1 July	688,933	792,068
Accretion expenses included in consolidated profit and loss account (note 9)	66,866	80,085
Payment	(193,344)	(183,220)
At 30 June	562,455	688,933
Less: mobile licence fee liabilities included under current liabilities	(196,533)	(186,741)
Non-current portion	365,922	502,192

Analysis of the present value of mobile licence fee liabilities:

	2015 \$000	2014 \$000
Minimum annual fees payable		
Within 1 year	203,469	193,345
After 1 year but within 5 years	400,643	541,762
After 5 years	100,630	162,980
Less: future finance charges	704,742 (142,287)	898,087 (209,154)
Present value of mobile licence fee liabilities	562,455	688,933
Comprising:		
Within 1 year	196,533	186,741
After 1 year but within 5 years	312,977	420,851
After 5 years	52,945	81,341
	562,455	688,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32 Share capital

	Shares of \$0.1 each	\$000
Authorised		
At 30 June 2014 and 30 June 2015	2,000,000,000	200,000
Issued and fully paid		
At 1 July 2013	1,037,941,244	103,794
Issue of new shares upon exercise of share options (a)	398,000	40
Issue of shares in lieu of cash dividends (b)	14,535,160	1,454
Repurchases of shares	(6,885,500)	(689)
At 30 June 2014	1,045,988,904	104,599
Issue of new shares upon exercise of share options (a)	8,574,000	857
Issue of shares in lieu of cash dividends (b)	2,119,006	212
At 30 June 2015	1,056,681,910	105,668

- (a) During the year ended 30 June 2015, share options were exercised to subscribe for 8,574,000 (2014: 398,000) shares in the Company at a consideration of approximately \$109,820,000 (2014: approximately \$1,791,000), of which \$857,000 (2014: \$40,000) was credited to share capital and the balance of \$108,963,000 (2014: \$1,751,000) was credited to the share premium account.

In respect of the share options exercised, an amount of \$21,156,000 (2014: \$392,000) was reversed from the employee share-based compensation reserve and credited to the share premium account of the Group.

- (b) On 3 September 2014, the board of directors declared a final dividend of 13 cents (2014: 22 cents) per share for the year ended 30 June 2014. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. On 19 December 2014, 908,953 (2014: 88,339) shares were issued at \$11.00 (2014: \$9.624) per share in respect of the final dividend.

On 17 February 2015, the board of directors declared an interim dividend of 27 cents (2014: 18 cents) per share for the year ended 30 June 2015. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 20 April 2015, 1,210,053 (2014: 14,446,821) shares were issued at \$14.924 (2014: \$8.95) per share in respect of the interim dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 Share option scheme

Pursuant to the terms of the share option schemes adopted by the Company on 15 November 2002 and 2 November 2011, the Company may grant options to the participants, including directors and employees of the Group, to subscribe for shares of the Company. The details of the terms of the share option schemes are disclosed under the section "Share Option Schemes" in the Report of the Directors. Below is a summary of the share options issued.

(a) Movements in share options

	Average exercise price per share	Number of share options
At 1 July 2013	\$12.74	33,240,500
Exercised	\$4.50	(398,000)
Cancelled or lapsed	\$12.78	(500,000)
At 30 June 2014 and 1 July 2014	\$12.84	32,342,500
Exercised	\$12.81	(8,574,000)
Cancelled or lapsed	\$15.31	(600,000)
At 30 June 2015	\$12.79	23,168,500

At 30 June 2015, 23,168,500 (2014: 31,870,000) share options were exercisable with average exercise price of \$12.79 (2014: \$12.82) per share.

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

Date of grant	Exercise period	Exercise price per share	2015 Number of share options	2014 Number of share options
13 June 2011	13 June 2012 to 12 June 2016	\$12.78	22,778,500	30,925,000
30 September 2011	30 September 2012 to 29 September 2016	\$13.12	–	315,000
31 October 2011	31 October 2012 to 30 October 2016	\$14.96	–	150,000
30 November 2011	30 November 2012 to 29 November 2016	\$13.02	277,500	277,500
30 December 2011	30 December 2012 to 29 December 2016	\$13.52	112,500	375,000
29 February 2012	1 March 2013 to 28 February 2017	\$16.56	–	300,000
			23,168,500	32,342,500

(c) No share options were granted during the years ended 30 June 2015 and 2014. The amount of share-based payments charged to the consolidated profit and loss account for the year ended 30 June 2015 was disclosed in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 Share option scheme *(continued)*

(d) Details of share options exercised

Share options exercised during the year resulted in 8,574,000 (2014: 398,000) shares being issued. The related weighted average share price at the time of exercise was \$14.86 (2014: \$8.43) per share.

34 Reserves

	Company					
	Share premium \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Retained profits \$000	Total \$000
1 July 2013	164,046	10,260	1,046,446	68,923	1,083,257	2,372,932
Comprehensive income						
Loss for the year	–	–	–	–	(234)	(234)
Transactions with owners						
Share-based payments	–	–	–	7,560	–	7,560
Issue of shares	1,751	–	–	–	–	1,751
Repurchase of shares	–	689	(55,898)	–	(689)	(55,898)
Payment of 2013 final dividend (note 32(b))	841	–	(228,347)	–	–	(227,506)
Payment of 2014 interim dividend (note 32(b))	127,855	–	–	–	(186,631)	(58,776)
At 30 June 2014 and 1 July 2014	294,493	10,949	762,201	76,483	895,703	2,039,829
Comprehensive income						
Profit for the year	–	–	–	–	489	489
Transactions with owners						
Share-based payments	–	–	–	157	–	157
Lapse of share option	–	–	2,041	(2,041)	–	–
Issue of shares (note 32(a))	130,119	–	–	(21,156)	–	108,963
Payment of 2014 final dividend (note 32(b))	9,908	–	–	–	(135,979)	(126,071)
Payment of 2015 interim dividend (note 32(b))	17,938	–	–	–	(284,456)	(266,518)
At 30 June 2015	452,458	10,949	764,242	53,443	475,757	1,756,849

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35 Commitments and contingent liabilities

(a) Capital commitments

	Group	
	2015 \$000	2014 \$000
Fixed assets Contracted for	46,223	106,121

(b) Operating lease commitments

The Group leases various retail stores, offices, warehouses, transmission sites, leased lines and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2015 \$000	2014 \$000
Land and buildings and transmission sites		
No later than 1 year	559,461	561,505
Later than 1 year and no later than 5 years	386,902	373,262
Later than 5 years	19,079	11,782
	965,442	946,549
Leased lines		
No later than 1 year	203,693	190,542
Later than 1 year and no later than 5 years	788,424	739,118
Later than 5 years	484,260	651,449
	1,476,377	1,581,109
Equipment		
No later than 1 year	–	3,930
	–	3,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

35 Commitments and contingent liabilities *(continued)*

(c) Performance bonds

	Group		Company	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Hong Kong	442,362	523,357	442,362	523,357
Macau	2,136	3,883	–	–
	444,498	527,240	442,362	523,357

The performance bonds were issued by certain banks in favour of the Telecommunications Authorities of Hong Kong and Macau in accordance with various telecommunications licences issued by those authorities to the Group. The banks' obligations under the performance bonds are guaranteed by the Company and various subsidiaries of the Company.

- (d) During the year ended 30 June 2015, a bank issued a standby letter of credit of \$1,306,800,000 to a subsidiary of the Company in favor of the Office of Communications Authority ("OFCA") regarding the acceptance of the offer of the right of first refusal for the re-assignment of one of the spectrum. A bank also issued another standby letter of credit with amount of \$980,400,000, being the final amount of spectrum utilisation fees determined during the auction.
- (e) At 30 June 2015, the Company and certain of its subsidiaries have provided corporate guarantee for general banking facilities granted to a wholly owned subsidiary of US\$145,495,000 (approximately \$1,127,948,000) and \$500,000,000, of which US\$117,520,000 (approximately \$911,075,000) and \$500,000,000 of the banking facilities were utilised by the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

36 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 63.83% of the Company's shares as at 30 June 2015. The remaining 36.17% of the shares are widely held, of which 2.74% is held by another subsidiary of SHKP. The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

- (a) During the year, the Group had significant transactions with certain fellow subsidiaries and associates of SHKP in the ordinary course of business as set out below. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions.

	2015 \$000	2014 \$000
Operating lease rentals for land and buildings and transmission sites (i)	112,580	104,501
Insurance expense (ii)	8,034	7,960

- (i) Operating lease rentals for land and buildings and transmission sites

Certain subsidiaries and associated companies of SHKP have leased premises to the Group for use as offices, retail stores and warehouses and have granted licences to the Group for the installation of base stations, antennae and telephone cables on certain premises owned by them.

For the year ended 30 June 2015, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled \$112,580,000 (2014: \$104,501,000).

- (ii) Insurance services

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. For the year ended 30 June 2015, insurance premiums paid and payable were \$8,034,000 (2014: \$7,960,000).

- (b) At 30 June 2015, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36 Related party transactions *(continued)*

(c) Key management compensation

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

	2015 \$000	2014 \$000
Salaries, bonuses and other short-term employee benefits	34,110	37,434
Share-based payments	–	3,828
	34,110	41,262

(d) The trading balances set out below with SHKP and its subsidiaries and associated companies (the "SHKP Group") (including buildings and estates managed by the SHKP Group) are included within the relevant balance sheet items:

	2015 \$000	2014 \$000
Trade receivables (note 24)	1,534	1,155
Deposits and prepayments (note 24)	8,445	7,577
Other receivables (note 24)	108	391
Trade payables (note 29)	2,491	2,879
Other payables and accruals (note 29)	7,069	10,796

The trading balances are unsecured, interest-free, repayable on similar terms to those offered to unrelated parties and arises from the ordinary course of business from provision of goods and services.

37 Ultimate holding company

The directors consider the ultimate holding company at 30 June 2015 to be Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with its shares listed on the main board of HKSE.