SmarTone

SmarTone Telecommunications Holdings Limited

Stock Code: 0315

ANNUAL REPORT 2021/22

"Consumers' No.1 Best Preferred 5G Network" is based on results obtained from study conducted by market research company NuanceTree, as commissioned by SmarTone. 771 post-paid SIM card users were interviewed via online survey and street interviews between July and Sep 2020.

SmarTone 5G The Widest Coverage in HK

SmarTone

ABOUT US

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

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

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

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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. TAM Lok-man, Norman
  Deputy Chief Executive Officer
Mr. CHAU Kam-kun, Stephen
* Mr. David Norman PRINCE
* Mr. SIU Hon-wah, Thomas
* Mr. John Anthony MILLER
** Dr. LI Ka-cheung, Eric, *JP*
** Mr. NG Leung-sing, *JP*
** Mr. GAN Fock-kin, Eric
** Mrs. IP YEUNG See-ming, Christine
** Mr. LAM Kwok-fung, Kenny
** Mr. LEE Yau-tat, Samuel
** Mr. Peter KUNG

* *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

Auditors

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
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12, Bermuda

Principal Bankers

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

Legal Advisors to the Company

As to Hong Kong law
Woo Kwan Lee & Lo

As to Bermuda law
Conyers Dill & Pearman

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) 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		
	2022	2021	Change
Consolidated profit and loss account			
Revenues	**6,957**	6,720	4%
Profit attributable to Company's shareholders	**423**	445	(5%)
Basic earnings per share ($)	**0.38**	0.40	(5%)
Total dividends per share ($)	**0.30**	0.30	–
Consolidated balance sheet			
Total assets	**12,581**	10,650	18%
Current liabilities	**(4,091)**	(2,660)	54%
Total assets less current liabilities	**8,490**	7,990	6%
Non-current liabilities	**(3,336)**	(2,893)	15%
Non-controlling interests	**–**	22	(100%)
Net assets	**5,154**	5,119	1%
Share capital	**111**	111	(0%)
Reserves	**5,043**	5,008	1%
Total equity attributable to the Company's shareholders	**5,154**	5,119	1%

	Year ended 30 June		
	2022	2021	Change
Consolidated cash flows			
Net cash inflow from operating activities	**2,036**	2,420	(16%)
Interest received	**36**	38	(5%)
Payment for purchase of fixed assets	**(712)**	(851)	(16%)
Payment for purchase of financial assets at amortized cost	**–**	(507)	(100%)
Proceeds from disposal of financial assets at amortized cost	**62**	179	(65%)
Payment of spectrum utilization fee	**(253)**	(120)	111%
Dividends paid	**(333)**	(328)	2%
Repayment of bank borrowings (net)	**(96)**	(223)	(57%)
Principal elements of lease payments	**(660)**	(712)	(7%)
Payment for repurchase of shares	**(22)**	(47)	(53%)
Others	**(12)**	(6)	100%
Net increase/(decrease) in short-term bank deposits, and cash and cash equivalents	**46**	(157)	N/A
Effect of foreign exchange rate changes	**0**	1	(100%)
	46	(156)	N/A

BUSINESS HIGHLIGHTS

Drive for digital transformation to accelerate 5G development in Hong Kong

1. Technology Leadership

SmarTone 5G LAB unleashes the possibilities of 5G applications in business and daily life, to encourage cross-industry collaboration and propel Hong Kong's emergence as a leading innovation hub. Recently, we have added new attractions including smart fitness, AR shooting game, smart interactive learning and smart manufacturing. 5G LAB has welcomed approximately 400,000 visitors, and hosted students from more than 200 schools since its launch.

SmarTone has been named ***Best Overall User Experience*** by an independent industry research firm. We are leading in multiple categories, including Video Experience, Games Experience, and Download Speed Experience, and being the sole winner in Voice App Experience and Core Consistent Quality. SmarTone is constantly investing in our network infrastructure development to ensure every customer has the most spectrum resources in Hong Kong and is rated as Consumers' No.1 Best Preferred 5G Network*.

* *Independent Research by Nuance Tree Research Company.*

2. Empowering Innovations

SmarTone Solutions pioneers the development of 5G technology and helps enterprises integrate emerging technologies for digital transformations and propel Hong Kong to becoming a truly smart city.

SmarTone ***Home 5G Broadband*** offers ultra-fast, easy-to-use, plug-and-play home internet experiences for customers without any wiring or installations, ushering in the era of 5G private broadband. The service successfully penetrates into households enduring slow speed narrowband connections, customers suffering from expensive fees as they are served by a single fixed-line operator, and households needing additional broadband connections due to work-from-home demand.

3. Customer-Centric Strategy

With outstanding customer service and professional teamwork, we are proud to be recognised by prestigious awards, including ***Service Talent Award*** of the Hong Kong Retail Management Association, ***"The Best Mobile Network"*, *"The Best 5G Home Broadband Service"*** and ***"The Best Mobile Cyber Security Service"*** at the e-zone e-brand awards 2022.

The SmarTone Plus premium membership programme has been delivering a world of prestige to customers, including birthday celebrations, selected offers, priority and privileges, refined experiences as well as flash surprises.

4. Digitalisation

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

SmarTone is embracing the rising need for ***digitalisation*** by offering our signature caring services online through dedicated WhatsApp channel, website and SmarTone CARE App.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Business review

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

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

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

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

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

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

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

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

(Financial figures are expressed in Hong Kong dollars)

Dividend

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

Outlook

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

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

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

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

Appreciation

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

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 2 September 2022

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

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

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

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

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

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

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

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

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

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

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

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

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

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

Income tax expense amounted to $177 million (2020/21: $153 million), reflecting an effective tax rate of 29.5% (2020/21: 25.7%). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, certain payments have been treated as non-deductible, which contributes to the Group effective tax rate higher than 16.5%. The Group will continue to vigorously defend its position and pursue tax deduction of the spectrum utilization fee from the Inland Revenue Department.

Capital structure, liquidity and financial resources

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

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

As at 30 June 2022, the Group had bank and other borrowings of $1,511 million (30 June 2021: $1,588 million) of which 96% were denominated in United States dollars and were arranged on a fixed rate basis. The Group was in a net cash position with net cash, including financial assets at amortized cost, amounted to $1,021 million as at 30 June 2022 (30 June 2021: $994 million).

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

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2023 with internal cash resources.

Treasury policy

The Group invests its surplus funds in accordance with a treasury policy approved from time to time by the board of directors. Surplus funds are placed in bank deposits and invested in financial assets at amortized cost. Bank deposits and financial assets at amortized cost are predominantly maintained in Hong Kong dollars and US dollars.

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

Charges on assets

Certain Hong Kong dollar denominated bank borrowings were secured by certain assets of the Group and the carrying amount of the pledged assets amounted to $68 million as at 30 June 2022 (30 June 2021: $70 million).

Interest rate exposure

The Group is exposed to interest rate changes that affect bank borrowings denominated in Hong Kong dollars which accounted for 4% of the Group's total borrowings at 30 June 2022. The remaining 96% of the Group's borrowings are fixed rates borrowings. Hence, the Group is well protected from any potential increase in interest rates in the future. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

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

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Contingent liabilities

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

Employees, share award scheme and share option scheme

The Group had 1,737 full-time employees as at 30 June 2022 (30 June 2021: 1,665), with the majority of them based in Hong Kong. Total staff costs were $652 million for the year ended 30 June 2022 (2020/21: $589 million). Excluding government subsidies, staff costs were $654 million for the year ended 30 June 2022 (2020/21: $669 million).

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

A share award scheme was adopted by the Group as an incentive arrangement to recognize the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. During the year under review, 202,305 shares were lapsed. 417,805 shares (30 June 2021: 1,409,680) were outstanding as at 30 June 2022.

The Group has share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. No share option was outstanding as at 30 June 2022 (30 June 2021: Nil).

Corporate Governance

The Company is committed to building and maintaining high standards of corporate governance. Throughout the year ended 30 June 2022, the Company has applied the principles and complied with the requirements set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the 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 a specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting at least once every three years in accordance with the Company's Bye-laws. As such, no Director has a term of appointment longer than three years.

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

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

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.

As at 30 June 2022, the Board comprises three Executive Directors, five Non-Executive Directors and seven Independent Non-Executive Directors. The presence of twelve Non-Executive Directors, of whom seven 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 42 to 49 of this Annual Report, the Directors have no other financial, business, family or other material or relevant relationships with each other.

Mr. Peter Kung ("Mr. Kung") was appointed Independent Non-Executive Director of the Company with effect from 14 March 2022. Mr. Kung entered into a consultancy agreement with Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), in turn the holding company of the Company, under which he has taken on the role as China Tax Advisor to the SHKP group of companies (the "SHKP Group") since October 2019 (the "Consultancy"). The Consultancy was renewed on 1 October 2021 and will expire on 30 September 2022, subject to further renewal. The Company is satisfied that Mr. Kung is independent for the reasons as set out below:

(a) The scope of services for which Mr. Kung has been providing under the Consultancy and the monthly consultancy fee payable to Mr. Kung thereunder are immaterial whether to SHKP Group or the Company and its subsidiaries (the "SmarTone Group");

(b) Mr. Kung has advised that the monthly consultancy fee payable to him under the Consultancy is and will not be material to both his personal wealth and current income;

(c) Mr. Kung has had no executive role in any member of the SHKP Group and the SmarTone Group. His role under the Consultancy is merely advisory and does not amount to performing any management or executive function;

(d) Mr. Kung has confirmed that he met all other independence guidelines for independent non-executive directors as set out in Rule 3.13 of the Listing Rules; and

(e) Mr. Kung has confirmed that, during his term as Independent Non-Executive Director of the Company, he will not provide any services under the Consultancy which may relate to any affairs of the SmarTone Group and will not take part as China Tax Adviser under the Consultancy in any discussions which may involve any affairs relating to the SmarTone Group.

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 at least 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.

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. Their respective responsibilities are clearly established and defined by the Board in writing. The role of the Chairman is to ensure that the Board is functioning properly, with good corporate governance practices and procedures. The role of the Chief Executive Officer, supported by the Executive Directors and the management team, is to manage 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 finalized 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

Four Board meetings and a general meeting were held during the year ended 30 June 2022. 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. Fung Yuk-lun, Allen *(Deputy Chairman)*	4/4	1/1
Mr. Tam Lok-man, Norman[1] *(Deputy Chief Executive Officer)*	2/2	0/0
Mr. Chau Kam-kun, Stephen	4/4	1/1
Non-Executive Directors		
Mr. Kwok Ping-luen, Raymond *(Chairman)*	4/4	0/1
Mr. Cheung Wing-yui *(Deputy Chairman)*	4/4	1/1
Mr. David Norman Prince	2/4	0/1
Mr. Siu Hon-wah, Thomas	4/4	1/1
Mr. John Anthony Miller	4/4	1/1
Independent Non-Executive Directors		
Dr. Li Ka-cheung, Eric	4/4	1/1
Mr. Ng Leung-sing	4/4	1/1
Mr. Gan Fock-kin, Eric	3/4	0/1
Mrs. Ip Yeung See-ming, Christine	4/4	1/1
Mr. Lam Kwok-fung, Kenny	4/4	0/1
Mr. Lee Yau-tat, Samuel	4/4	1/1
Mr. Peter Kung[2]	1/1	0/0

Notes:

1. Mr. Tam Lok-man, Norman was appointed Executive Director and Deputy Chief Executive Officer of the Company with effect from 15 November 2021.

2. Mr. Peter Kung was appointed Independent Non-Executive Director of the Company with effect from 14 March 2022.

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.

All Directors have provided to the Company a record of the training they received during the year ended 30 June 2022, 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 2022, the Directors participated in the following trainings:

Directors	**Type of trainings**
Executive Directors	
Mr. Fung Yuk-lun, Allen *(Deputy Chairman)*	A, C
Mr. Tam Lok-man, Norman *(Deputy Chief Executive Officer)*	C
Mr. Chau Kam-kun, Stephen	A, C
Non-Executive Directors	
Mr. Kwok Ping-luen, Raymond *(Chairman)*	A, C
Mr. Cheung Wing-yui *(Deputy Chairman)*	A, B, C
Mr. David Norman Prince	A, C
Mr. Siu Hon-wah, Thomas	A, C
Mr. John Anthony Miller	C
Independent Non-Executive Directors	
Dr. Li Ka-cheung, Eric	A, C
Mr. Ng Leung-sing	C
Mr. Gan Fock-kin, Eric	C
Mrs. Ip Yeung See-ming, Christine	C
Mr. Lam Kwok-fung, Kenny	C
Mr. Lee Yau-tat, Samuel	C
Mr. Peter Kung	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.

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 (Executive Director). 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 incentive schemes, 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 2022, the Remuneration Committee passed three written resolutions for approving and/or recommending the emoluments payable 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 incentives. 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.

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 monitoring the implementation of the Company's 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 2022, the Nomination Committee passed three written resolution for reviewing the size, structure and composition of the Board and recommending new appointment and re-election of Directors.

The Nomination Committee has reviewed and recommended the re-election of those retiring Directors who offer themselves for re-election at the forthcoming 2022 Annual General Meeting.

Nomination policy

The Board has formalized its existing practices into a nomination policy. The policy sets out the criteria and procedures for the selection, appointment and re-election of the directors of the Company so as to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the achievement of the corporate goals and strategic objectives of the Group.

The Nomination Committee shall evaluate potential candidates by considering various factors including, without limitation, their professional expertise, and their industry and business experience.

The Committee shall also consider (i) the commitment of the potential candidates in devoting sufficient time and attention to the affairs of the Group; (ii) their potential contribution to board diversity; (iii) any material conflict of interest or potential material conflict of interest with the Group; and (iv) their independence with reference to the independence guidelines set out in the Listing Rules if the potential candidates will be appointed as independent non-executive directors of the Company.

In cases of re-election of existing directors who will retire at annual general meetings or general meetings of the Company, the Committee will review the rotation and retirement of directors and make recommendations to the Board accordingly.

Board diversity

The Company adopted a board diversity policy for the Group. The Company recognizes 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 42 to 49 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.

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 Group's risk management and internal control systems.

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) and Mr. Gan Fock-kin, Eric (Independent Non-Executive Director). All the members of the Committee are Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee'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. The 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 held two meetings during the year ended 30 June 2022 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 *(Chairman)*	2/2
Mr. Ng Leung-sing	2/2
Mr. Gan Fock-kin, Eric	2/2

The Audit Committee also held a meeting on 26 August 2022 and reviewed the financial statements of the Group for the year ended 30 June 2022 as well as the report of the Risk Management Committee and the report of Internal Audit. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are appropriate and in line with the market participants in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosure of data and explanations shown in the financial statements. The Committee was also satisfied that adequate and effective risk management and internal control systems have been maintained by the Group for the year ended 30 June 2022.

External auditor's independence

PricewaterhouseCoopers ("PwC") is the Company's external auditor for the year ended 30 June 2022. 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 PwC and other audit firms (for miscellaneous services) for the year ended 30 June 2022 are as follows:

	HK$
Services provided by PwC	
Audit services	2,503,000
Non-audit services	
Taxation	170,000
Review of interim financial statements	322,000
Other assurance services	275,000
	767,000
	3,270,000
Services provided by other audit firms	
Audit services	50,000
Non-audit services	
Other assurance services	97,000
	147,000

Before commencement of the audit of the consolidated financial statements of the Company and its subsidiaries as at and for the year ended 30 June 2022, the Committee received written confirmation from PwC confirming that they are independent accountants with respect to the Company within the meaning of the requirements of Part 4A 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 PwC and had recommended the Board to propose a resolution of their re-appointment as the Company's external auditor at the forthcoming 2022 Annual General Meeting.

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

The Directors of the Company are responsible for the preparation of the 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The responsibilities of the auditor for the consolidated financial statements are set out in the Independent Auditor's Report on pages 55 to 59 of this Annual Report.

Risk management and internal control systems

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

The risk management and internal control systems of the Group comprises a comprehensive organizational 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 unauthorized 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 management-level Risk Management Committee has been set up. The Risk Management Committee, reporting to the Audit Committee, is responsible for the overall risk management function 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 five qualified professionals, which is an independent function reports directly to the Audit Committee and the Deputy Chief Executive Officer. Internal Audit plays an important role in the risk management and internal control framework and provides independent assurance to the Board as to the adequacy and effectiveness of risk management and internal control systems 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, through the Audit Committee, conducted a review on the effectiveness of the Group's risk management and internal control systems and concluded that adequate and effective risk management and internal control systems have been maintained for the year ended 30 June 2022. The review considered the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programs 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 risk management and internal control systems against control environment, risk management, control activities, information and communication and monitoring activities on all major business and operational processes. The review also considered (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had or may in the future have, a material impact on the Group's financial performance or condition; and (e) the effectiveness of the Group's processes for financial reporting and Listing Rule compliance.

In respect of the handling and dissemination of inside information, the Group's Code of Conduct for employees stipulates the prohibition on unauthorized 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 of the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon specific enquiry, each Director had confirmed that during the year ended 30 June 2022, they had fully complied with the required standard set out in the Model Code and there was no event of non-compliance.

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; and

(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.

Communication with shareholders

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.

Dividend policy

The Company seeks to provide stable and sustainable returns to the shareholders. In determining the dividend amount, the Board will take into account the Group's earning performance, financial position, investment and funding requirements, and future prospects. The normal target payout ratio is 75% of the Group's recurring profit attributable to shareholders of the year. The Board will review the dividend policy and payout ratio as appropriate from time to time.

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are shown in note 20 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segment is set out in Note 5 to the consolidated financial statements.

Business review

The Chairman's Statement on pages 8 to 9 and the Management Discussion and Analysis on pages 10 to 12 of this Annual Report provide a fair review of the Group's business for the year and indication of likely future development in the Group's business. The discussion thereon forms part of this Report of the Directors.

Further discussion on the Group's business is set out below:

(i) Principal risks and uncertainties facing the Group

As set out in the section "Risk management and internal control systems" of the Corporate Governance Report on pages 22 to 23, effective risk management framework is in place to provide a consistent approach on the risk management process in identification, assessment, treatment and reporting of all the risks which are critical to Group's operations and business.

The Group is exposed to various risks which may affect its operations and business. The followings are the key risks that are considered to be most significant to the Group at the time.

Competition – The Group is operating in markets with fierce competition, which had led to pricing pressure and increased marketing costs.

Information Technology – The Group requires reliable and effective information technology systems for its key business processes in daily operations. Any successful cyber-attack against the systems may cause disruption in operations and affect the service to customers.

Compliance – The Group is operating in the mobile industry which is highly regulated. The Group has to make sure that its operations are in full compliance with the relevant laws and regulations. Contravention to the laws and regulations will result in legal penalty, business disruption and/or damage to brand image.

Details about the Group's financial risk management are set out in note 4 to the consolidated financial statements.

(ii) Environmental policies and performance

The Group is committed to environmental protection. It makes efficient use of resources, promotes green awareness within the Group, follows eco-friendly management practices and supports community events to build a green living environment.

(iii) Compliance with laws and regulations

The Group recognizes the importance of compliance with legal and regulatory requirements and risks of non-compliance with such requirements. The Group conducts on-going review of newly enacted/revised laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to staff. To the best knowledge of the Directors, the Group has complied in all material respects the relevant laws and regulations that have significant impact on the operations of the Group for the year ended 30 June 2022.

(iv) Relationship with employees

People are the Group's most valuable asset. The Group believes in communicating with staff and giving them training and career development opportunities. It also recognizes good performance. It provides a variety of activities for staff to help them achieve a balance between work and life.

The Group has established good relationship with its employees throughout the years.

(v) Relationship with customers

The Group strives to deliver outstanding experiences and meaningful value to customers. To ensure continuous improvement of the quality of service, the Group pro-actively seeks customer feedback through focus group discussions, market surveys, hotlines, social media, online live chat, etc.

The Group's superior service has been widely recognized, as evidenced by the service awards received from various reputable organizations during the past years.

(vi) Relationship with suppliers

The Group has established long standing cooperation relationship with its suppliers. The Group has stringent anti-bribery policy in place and Group's staff are required to strictly comply with the policy when dealing with suppliers.

Results

The results of the Group for the year ended 30 June 2022 are set out in the consolidated profit and loss account on page 60.

Dividend

The Directors recommended the payment of a final dividend for the year ended 30 June 2022 of $0.155 per share (2020/21: $0.155 per share). The proposed final dividend, together with the interim dividend of $0.145 per share paid by the Company during the year (2020/21: $0.145 per share), makes a total dividend for the year of $0.30 per share (2020/21: $0.30 per share).

Five years 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 54.

(Financial figures are expressed in Hong Kong dollars)

Distributable reserves

Distributable reserves of the Company at 30 June 2022, calculated under the Company's Bye-laws and the Bermuda laws, amounted to $1,117,209,000 (30 June 2021: $1,468,807,000).

Donations

During the year, the Group did not make any charitable or other donations (2020/21: Nil).

Share capital

Details of the movements in share capital of the Company are shown in note 35 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
Chairman

* Mr. Cheung Wing-yui
Deputy Chairman

Mr. Fung Yuk-lun, Allen
Deputy Chairman

Mr. Tam Lok-man, Norman[1]
Deputy Chief Executive Officer

Mr. Chau Kam-kun, Stephen

* Mr. David Norman Prince

* Mr. Siu Hon-wah, Thomas

* Mr. John Anthony Miller

** Dr. Li Ka-cheung, Eric, *JP*

** Mr. Ng Leung-sing, *JP*

** Mr. Gan Fock-kin, Eric

** Mrs. Ip Yeung See-ming, Christine

** Mr. Lam Kwok-fung, Kenny

** Mr. Lee Yau-tat, Samuel

** Mr. Peter Kung[2]

* *Non-Executive Director*
** *Independent Non-Executive Director*

Notes:

1. Mr. Tam Lok-man, Norman was appointed Executive Director and Deputy Chief Executive Officer of the Company with effect from 15 November 2021.

2. Mr. Peter Kung was appointed Independent Non-Executive Director of the Company with effect from 14 March 2022.

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. Kwok Ping-luen, Raymond, Mr. Chau Kam-kun, Stephen, Mr. John Anthony Miller, Dr. Li Ka-cheung, Eric and Mrs. Ip Yeung See-ming, Christine retire by rotation at the forthcoming annual general meeting. In accordance with Bye-law No. 83(2), Mr. Tam Lok-man, Norman and Mr. Peter Kung also retire at the forthcoming annual general meeting. Other than Mr. John Anthony Miller and Mrs. Ip Yeung See-ming, Christine who will not offer themselves for re-election, all remaining retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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 at the forthcoming annual general meeting 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 2022 are shown in note 42 to the consolidated financial statements.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

Apart from the connected transactions referred to in this report, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company and the Director's connected party 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 42 to 49.

(Financial figures are expressed in Hong Kong dollars)

Directors' and chief executive's interests

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the SEHK, were as follows:

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

	Number of shares held					
Name of Director	Personal interests (held as beneficial owner)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares
Kwok Ping-luen, Raymond	–	5,162,337[1]	5,162,337	–	5,162,337	0.47
Fung Yuk-lun, Allen	437,359	–	437,359	–	437,359	0.04
Chau Kam-kun, Stephen	146,000	11,000[2]	157,000	–	157,000	0.01

Notes:

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

2. These shares in the Company were held by the spouse of Mr. Chau Kam-kun, Stephen.

(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: Personal interests (held as beneficial owner)	Number of shares held: Other interests	Number of shares held: Total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares
Kwok Ping-luen, Raymond	188,743	545,851,186[1] 1,580,000[2]	547,619,929	–	547,619,929	18.90
Chau Kam-kun, Stephen	1,000	–	1,000	–	1,000	0.00
David Norman Prince	2,000	–	2,000	–	2,000	0.00
Siu Hon-wah, Thomas	–	7,000[3]	7,000	–	7,000	0.00
Li Ka-cheung, Eric	–	4,028[4]	4,028	–	4,028	0.00

Notes:

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

(Financial figures are expressed in Hong Kong dollars)

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

	Number of shares held					
Name of Director	Personal interests (held as beneficial owner)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares
Kwok Ping-luen, Raymond	–	3,485,000[1]	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	4,000,000	–	4,000,000	8,000,000[2]	12,000,000	0.51
Chau Kam-kun, Stephen	50,000	–	50,000	–	50,000	0.00

Notes:

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.

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

				Number of share options				
Name of Director	Date of grant	Exercise price $	Exercise period*	Outstanding at 1 July 2021	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 30 June 2022
Fung Yuk-lun, Allen	22 May 2019	6.688	22 May 2020 to 21 May 2024	4,000,000	–	–	–	4,000,000
	4 May 2022	6.532	4 May 2023 to 3 May 2027	–	4,000,000	–	–	4,000,000

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

(Financial figures are expressed in Hong Kong dollars)

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

Name of associated corporation	Actual shares held through corporation	Actual % of interests in issued voting shares
Splendid Kai Limited (commenced members' voluntary liquidation on 15 June 2022)	2,500[1]	25.00
Hung Carom Company Limited	25[1]	25.00
Tinyau Company Limited	1[1]	50.00
Open Step Limited	8[1]	80.00
Vivid Synergy Limited	963,536,900[1]	20.00

Note:

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

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to the Model Code.

Share option scheme

On 2 November 2011, the Company adopted a share option scheme (the "Old Share Option Scheme") which expired on 1 November 2021. In order to ensure continuity of a share option scheme for the Company, the shareholders of the Company passed an ordinary resolution at the annual general meeting of the Company held on 2 November 2021 to approve the adoption of a new share option scheme (the "New Share Option Scheme"). The New Share Option Scheme became effective on 4 November 2021 following the grant of a listing approval by the SEHK on 3 November 2021 and the passing of an ordinary resolution by the shareholders of SHKP, the Company's holding company, at the annual general meeting of SHKP held on 4 November 2021 to approve the adoption of the New Share Option Scheme.

During the year ended 30 June 2022, no share options were granted, exercised, canceled or lapsed under the Old Share Option Scheme or the New Share Option Scheme. There were no outstanding share options under any of the schemes during the said year.

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

(a) Purpose

The purpose of the New Share Option Scheme is to provide incentive to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-caliber employees and attract human resources that are 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 its subsidiaries, including any director of the Company or any of its subsidiaries who has made valuable contribution to the growth of the Group based on his/her work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the New Share Option Scheme.

(c) Maximum number of shares available for issue

The total number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue as at the date of approval of the New Share Option Scheme by the shareholders of the Company.

The Company may seek approval by the shareholders in general meeting for "refreshing" the 10% limit under the New Share Option Scheme. However, the total number of shares which may be issued upon exercise of all options to be granted under all of the New Share Option Scheme and any other share option schemes of the Company under the limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the limit.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

On 2 September 2022, the number of shares available for issue in respect thereof is 111,098,860 shares which represents approximately 10.04% of the issued shares of the Company.

(d) Maximum entitlement of each participant

The maximum entitlement of each participant under the New Share Option Scheme is that the total number of shares issued and to be issued upon exercise of the options granted to such participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. Where any further offer of the grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, canceled and outstanding options) in the 12-month period up to and including the date of such further offer representing in aggregate over 1% of the shares in issue, such further offer of grant must be separately approved by the shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Time of exercise of option

The exercise period of any option granted under the New Share Option Scheme shall be determined by the Board but such period must not exceed 10 years from the date on which the offer of the grant of the relevant option is made.

Unless otherwise determined by the Board and specified in the offer letter at the time of offer, there is neither any performance target that needs to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

(f) Payment on acceptance of option

An option shall be deemed to have been accepted when the duplicate of the offer letter, comprising acceptance of the option, duly signed by the grantee together with a remittance in favor of the Company of $1.00 by way of consideration for the grant thereof is received by the secretary of the Company within 28 days from the date of offer.

(g) Basis of determining the subscription price

The subscription price shall be determined by the Board and notified to a participant at the time of offer of the option(s) and shall be at least the highest of (i) the closing price of the shares as stated in the SEHK's daily quotations sheets on the date of offer, which must be a business day; (ii) the average closing price of the shares as stated in the SEHK's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal or par value of the shares.

(h) Remaining life

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the New Share Option Scheme on 2 November 2021.

(Financial figures are expressed in Hong Kong dollars)

Share award scheme

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

Movements of the awarded shares granted to selected employees pursuant to the Share Award Scheme during the year ended 30 June 2022 are as follows:

			Number of awarded shares				
Awardee	Date of award	Vesting period[1]	Outstanding at 1 July 2021	Awarded during the year	Vested during the year	Lapsed during the year	Outstanding at 30 June 2022
Directors							
Chau Kam-kun, Stephen	31 January 2019	31 January 2020 to 31 January 2022	29,200	–	(29,200)	–	–
Employees	31 January 2019	31 January 2020 to 31 January 2022	485,110	–	(427,655)	(57,455)	–
	28 February 2020	28 February 2021 to 28 February 2023	895,370	–	(332,715)	(144,850)	417,805

Note:

1. 30% of the awarded shares shall vest on the first and second anniversary date of the date of award and the balance shall vest on the third anniversary date of the date of award.

A summary of the principal terms of the Share Award Scheme is set out below:

(a) Purpose and objectives

The specific objectives of the Share Award Scheme are (i) to recognize the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

(b) Administration

The Share Award Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules.

(c) Duration

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

(d) Maximum limit

The total number of shares that may be awarded under the Share Award Scheme shall not exceed 10% of the shares in issue (i.e., 1,124,269,277 shares) as at the Adoption Date.

(e) Operation of the Share Award Scheme

Pursuant to the Scheme Rules, the Board may, from time to time, at its absolute discretion select any employee (excluding any excluded employee as defined in the Scheme Rules) for participation in the Share Award Scheme as a selected employee and determine the reference awarded sum for the purchase and/or allocation of awarded shares.

The Board shall cause to be paid to a trustee an amount equal to the aggregate of the reference awarded sums and the related purchase expenses. The trustee shall purchase from the market the relevant number of shares in accordance with written instructions issued by the Board from time to time and shall hold such shares until they are vested in accordance with the Scheme Rules.

When a selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee shall transfer the relevant awarded shares to that selected employee.

(f) Vesting and Lapse

Subject to any applicable provisions of the Scheme Rules, the awarded shares shall vest in accordance with the timetable as set out in the Scheme Rules. 30% of the awarded shares shall vest on the first and second anniversary date of the date of award and the balance shall vest on the third anniversary date of the date of award. Vesting of the awarded shares will be conditional on the selected employee remaining an employee of the Group until and on each of the relevant vesting dates.

Where the awarded shares do not vest in accordance with the Scheme Rules, the trustee shall hold such shares for the benefit of one or more employees of the Group as it determines in its discretion, after having taken into account the recommendations of the Board.

(g) Voting Rights

The trustee shall not exercise the voting rights in respect of any shares held under the trust.

(h) Termination

The Share Award Scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of the selected employees.

(Financial figures are expressed in Hong Kong dollars)

Interests of substantial shareholder

As at 30 June 2022, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name	Total number of shares	% of issued voting shares
Sun Hung Kai Properties Limited ("SHKP")[1]	806,362,555	72.92%
HSBC Trustee (C.I.) Limited ("HSBCCI")[2]	806,916,313	72.97%

Notes:

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

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

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

Save as disclosed above, as at 30 June 2022, 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.

(Financial figures are expressed in Hong Kong dollars)

Arrangement to acquire shares or debentures

Saved as disclosed in the sections entitled "Directors' and chief executive's interests", "Share option scheme" and "Share award scheme" above, at no time during the year, (i) the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its other associated corporations required to be disclosed pursuant to the SFO and the Hong Kong Companies Ordinance (Cap. 622); and (ii) was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

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.

Permitted indemnity provision

The Bye-laws of the Company provide that every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, to the extent permitted by the laws.

The Company has also taken out and maintained Directors' and officers' liabilities insurance throughout the year, which provides appropriate cover for certain legal actions that may be brought against its Directors and officers.

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.

(Financial figures are expressed in Hong Kong dollars)

Purchase, sale or redemption of shares

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

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

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, and except that the trustee of the share award scheme of the Company, pursuant to the terms of the rules and trust deed of the scheme, purchased on the SEHK a total of 820,000 shares of the Company at a total consideration of $3,563,000, at no time during the year ended 30 June 2022 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Equity-linked agreements

Saved for the share option scheme as set out in this report, no equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year or subsisted at the end of the year.

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.

(Financial figures are expressed in Hong Kong dollars)

Major suppliers and customers

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

Percentage of purchases attributable to the Group's largest supplier	35%
Percentage of purchases attributable to the Group's five largest suppliers	50%

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) had an interest in the major suppliers noted above.

During the year, the Group sold less than 30% of its total goods and services to its five largest customers.

Connected transactions

1. Certain related party transactions as disclosed in note 40 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 SHKP, the controlling shareholder of the Company, have leased premises to the Group for use as offices, retail stores and warehouses and have granted licenses 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 2022, rental and license fees paid and payable to subsidiaries and associated companies of SHKP totaled $118,897,000.

   (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 2022, insurance premiums paid and payable were $3,294,000.

   (c) The Group provides technical services for the properties owned or managed by certain subsidiaries and associated companies of SHKP for enhancement of mobile coverage in the properties. For the year ended 30 June 2022, the revenue received or receivable by the Group were $7,522,000.

   (d) The Group provides information and communication technology (ICT) solutions to certain subsidiaries and associated companies of SHKP covering, among others, business digitalization, connectivity and industry-specific solutions. For the year ended 30 June 2022, the revenue received or receivable were $57,176,000.

   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 (Revised) "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 its unqualified letter containing its 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. A copy of the auditor's letter has been provided by the Company to SEHK.

2. At 30 June 2022, 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.

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, 2 September 2022

DIRECTORS PROFILE

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

Mr. Raymond Kwok (aged 69) 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 Hong Kong Metropolitan University and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

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

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

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

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

Mr. Cheung Wing-yui (aged 72) was appointed Director of the Company in March 2003. Mr. Cheung received a Bachelor of Commerce degree in accountancy from The University of New South Wales, Australia and is a member of the CPA Australia. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. Mr. Cheung was also admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

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

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

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

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

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

Mr. Allen Fung (aged 54) was appointed Non-Executive Director of the Company in December 2013 and was re-designated as Executive Director in August 2020. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993 to 1994 and a visiting Assistant Professor of History at Brown University in 1996 to 1997. From 1997 to 2013, Mr. Fung worked in McKinsey & Company ("McKinsey"), a global management consulting company. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally.

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

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, an honorary secretary of The Hong Kong Federation of Youth Groups, a council member and an executive committee member of The Hong Kong Management Association, and the vice chairman of the board of The Hong Kong Philharmonic Society Limited. Mr. Fung is a board member of the Hong Kong Tourism Board, and a member of the Museum Advisory Committee of the Leisure and Cultural Services Department of the Government of the Hong Kong Special Administrative Region.

Mr. Fung is also a member of the Remuneration Committee of the Company, and a director of certain subsidiaries of the Company.

TAM Lok-man, Norman *Executive Director & Deputy Chief Executive Officer*

Mr. Norman Tam (aged 49) was appointed Executive Director and Deputy Chief Executive Officer of the Company in November 2021.

Prior to joining the Company, Mr. Tam was a vice president of Tencent Cloud International, vice president of JOOX Music, and the chief executive of WeChat Pay Hong Kong Limited. He is a seasoned entrepreneur and executive with twenty-plus years of experience in product development, operation management, and startup investment in the Internet and technology sector.

During his time at Tencent, Mr. Tam developed the international business of various areas including social networks, online advertising, digital payment, online entertainment and cloud computing. He was also active in driving both B2B and B2C businesses expansion covering enterprises and mass consumers in his scope of responsibilities.

Prior to Tencent, Mr. Tam worked at two international investment banks and co-founded two Internet startups on education and gaming. He graduated from the University of Wisconsin – Madison with a Bachelor's degree in Information System and Computer Science.

Mr. Tam is a director of Save the Children Hong Kong.

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

DIRECTORS PROFILE

CHAU Kam-kun, Stephen *Executive Director*

Mr. Stephen Chau (aged 61) was appointed Executive Director of the Company in April 2015. He has been with the Company since 1993. He joined the Company as Head of Operations and was made Chief Technology Officer since 1999. He has been responsible for the Company's information and communications technology strategy, roadmap and deployment; he has also led the Company in a number of commercial initiatives.

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

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

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

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

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

David Norman PRINCE *Non-Executive Director*

Mr. David Prince (aged 71) was appointed Director of the Company in July 2005. Mr. Prince has over 20 years' experience of operating at board level in an international environment. Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK). He is a non-executive director of SUNeVision Holdings Ltd. He is also a director of Wilson Group Limited and a consultant of Sun Hung Kai Real Estate Agency Limited, both are wholly-owned subsidiaries of Sun Hung Kai Properties Limited.

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

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

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

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

Mr. Thomas Siu (aged 69) was appointed Director of the Company in July 2008. Mr. Siu was the managing director of Wilson Group, which is a major transport infrastructure services provider in Hong Kong and is wholly-owned by Sun Hung Kai Properties Limited, and is currently a consultant of Wilson Group. Prior to joining Wilson Group, Mr. Siu had more than 25 years of experience in telecommunications and IT sectors. His experience covers finance, business operations and development. Mr. Siu is also a non-executive director of SUNeVision Holdings Ltd.

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

John Anthony MILLER *Non-Executive Director*

Mr. John Anthony Miller (aged 72), SBS, OBE, was appointed Director of the Company in November 2010.

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

Mr. Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organization 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 69), GBS, OBE, JP, LLD, DSocSc., HonDSocSc (EdUHK), B.A., FCPA (Practising), FCA, FCPA (Aust.), was appointed Director of the Company in October 1996. Dr. Li is the honorary chairman of SHINEWING (HK) CPA Limited.

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

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

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

DIRECTORS PROFILE

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

Mr. Ng Leung-sing (aged 73) was appointed Director of the Company in June 1997. Mr. Ng is chairman of Bank of China (Hong Kong) Trustees Limited and a director of BOCHK Charitable Foundation. He is also an independent non-executive director of Nine Dragons Paper (Holdings) Limited, Hanhua Financial Holding Co., Ltd. and Grand Brilliance Group Holdings Limited.

Mr. Ng is a Hong Kong Deputy to the 10th, 11th, 12th and 13th National People's Congress of the People's Republic of China.

Mr. Ng was the vice-chairman of Chiyu Banking Corporation Limited from 2002 to 2017, general manager of the Bank-wide Operation Department of Bank of China (Hong Kong) Limited from 2005 to 2009, and executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was the Chinese Representative of the Sino-British Land Commission and the trustee of the Hong Kong Government Land Fund from 1988 to 1997, a member of the Corporate Contribution Program Organization Committee of The Community Chest of Hong Kong from 1992 to 1996, a member of the Legislative Council of Hong Kong from 1996 to 2004 and from 2012 to 2016, a member of the Hong Kong Housing Authority from 1996 to 2004, a member of the Court of Lingnan University from 1999 to 2011, a member of the managing board of the Kowloon-Canton Railway Corporation from 2004 to 2007, and a member of the board of management of the Chinese Permanent Cemeteries from 2009 to 2015. Mr. Ng was also an independent non-executive director of MTR Corporation Limited from 2007 to 2017, and a director of The Hong Kong Mortgage Corporation Limited from 2014 to 2018.

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.

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

Mr. Eric Gan (aged 59) was appointed Director of the Company in December 2005. Mr. Gan is founder and president of eAccess Ltd., the fourth mobile operator (EMOBILE brand) in Japan which become a wholly-owned subsidiary of SoftBank Corp in 2013. Mr. Gan is currently an executive vice president of Softbank Corp.

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

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

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

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

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

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

Mrs. Ip was appointed as director of The Hong Kong Philharmonic Society Limited since November 2021. She was also appointed as director of M Plus Museum Limited with effect from 1 April 2022.

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

Mr. Kenny Lam (aged 48) was appointed Director of the Company in March 2017.

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

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

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

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

DIRECTORS PROFILE

LEE Yau-tat, Samuel *Independent Non-Executive Director*

Mr. Samuel Lee (aged 55) was appointed Director of the Company in April 2021.

Mr. Lee is the chief executive officer of Digital Edge DC. He co-founded the company in 2020 with an aim in transforming the data center business and building digital infrastructure platforms for businesses in Asia-Pacific. With more than 25 years of experiences in the IT and telecom industry, Mr. Lee is widely recognized as a dynamic and forward-looking business leader, with proven track record in driving business growth and expanding the data center business footprint in the Asia-Pacific region.

Prior to joining Digital Edge DC, Mr. Lee was the President of Equinix Asia-Pacific, overseeing the company's management, strategy and growth in the region. In this role, he successfully led the growth and expansion of the company's business, including its acquisitions of Asia Tone, Bit-isle and Metronode, and the ongoing integration of the company's regional operations into its global business. Under his leadership, Equinix's business in Asia-Pacific had undergone rapid expansion to become one of the market leaders in the region with more than 40 data centers in 12 markets, and with its revenue to reach US$1 billion. Mr. Lee also held senior management positions at various leading technology companies, including Pacific Gateway Exchange, Teleglobe International, Intel and Sprint. In addition, he was the founder of a consulting firm offering strategic consultation services to network providers in Asia. Mr. Lee has been a senior advisor for Sun Hung Kai Real Estate Agency Limited since September 2019.

Mr. Lee holds a Bachelor of Arts degree in International Business from the City University of Hong Kong.

Peter KUNG *Independent Non-Executive Director*

Mr. Peter Kung (aged 60) was appointed Director of the Company in March 2022.

Mr. Kung is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is currently Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong & Macao and Guangdong-HK-Macao Bay Area Entrepreneurs Union.

Mr. Kung graduated from the University of Liverpool in 1984. He is Associate Member of the Institute of Chartered Accountants in England and Wales and Fellow of the Hong Kong Institute of Certified Public Accountants. He is also Fellow of the Taxation Institute of Hong Kong and served as its president from 2007 to 2009.

Mr. Kung became a partner of KPMG in 1997, Head of China Tax in Hong Kong and Southern China in 2001, Senior Partner of KPMG's Shenzhen office in 2006 and Senior Partner of KPMG's Southern China region in 2010. He was Vice Chairman of KPMG China from 2013 to 2017 and Senior Advisor to KPMG China from 2018 to 2019.

Mr. Kung is an independent non-executive director of ORIX Asia Limited and Kingboard Laminates Holdings Limited, a company listed on The Stock Exchange Hong Kong Limited and a member of the board and the audit committee of eBRAM. He is also a non-executive director and chairman of A SPAC (HK) Acquisition Corp. Mr. Kung has been a China Tax Advisor to Sun Hung Kai Real Estate Agency Limited since October 2019.

Notes:

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

No service contracts have been signed between the Company and the Directors (except Mr. Tam Lok-man, Norman and Mr. Chau Kam-kun, Stephen) and there is no fixed term of their service with the Company. Their appointments are subject to retirement by rotation and re-election by shareholders 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.

Mr. Tam Lok-man, Norman, Executive Director, entered into an employment contract with the Group for his serving as an Executive Director and the Deputy Chief Executive Officer of the Company, with no fixed term of service. Mr. Tam 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 performance bonus, the computation of which is based on his performance and contributions to the Group. For the role as a Director of the Company, Mr. Tam will retire and be re-elected by shareholders at the next general meeting of the Company after his appointment. Thereafter, Mr. Tam will be subject to retirement by rotation and re-election by shareholders at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Tam 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.

There is an employment contract entered into between Mr. Chau Kam-kun, Stephen, Executive Director, and a subsidiary of the Company for his serving as the Company's Chief Technology Officer. As the Chief Technology Officer, Mr. Chau is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to a discretionary bonus, the computation of which is based on his performance and profitability of the Group. Mr. Chau has no fixed term of service with the Company for acting as a director of the Company. Mr. Chau's appointment as a director of the Company is subject to retirement by rotation and re-election by shareholders 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 details of the emoluments of the Directors on a named basis for the year ended 30 June 2022 are disclosed in note 42 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 2022 are disclosed in the "Directors' and chief executive's interests" section of the Report of the Directors on pages 29 to 32 of this Annual Report.

Senior management

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

STAFF ENGAGEMENT

Together We Nurture

1. Grooming Talents

Introduce diversified opportunities for ***people and career development***, including cross-sector exchanges for frontline service staff, influencing skills training as well as lunch & learn sessions, to nurture employees and enable them to explore their personal potential and professional ability to achieve all-round development.

2. Caring For Staff

Promotes ***work-life balance*** to establish a fun and relaxing workplace with online festive delights and organise caring activities and initiatives during the pandemic.

Empowering Our Future

1. Caring For The Community

Sending care and warmth to those in need in the community through various activities to build a harmonious society.

SmarTone supports the ***"Jockey Club Digital Support Project for the Elderly"***, providing smartphones and free basic mobile service to elderlies in need through participating non-government organisations. Elderly-oriented workshops on smartphone and app usage are also hosted by SmarTone's volunteer team.

COMMUNITY ENGAGEMENT

2. Anti-pandemic Support

During the height of the 5th wave of the pandemic, SmarTone proactively built out its 5G network to provide coverage for all ***community isolation facilities***, which had no network infrastructure. The team worked intensely "day and night" and completed the most urgent build-out in two weeks. This benefitted not just SmarTone customers, but all residents who stayed at such facilities, as the Company offered free SIM cards for all.

The SmarTone team arranged immediate deliveries of 5G Wi-Fi routers and free local data cards to onsite ***frontline healthcare workers***, helping them stay in seamless connection with the outside world during their anti-pandemic works through SmarTone's quality and stable 5G network.

SmarTone is lending full support to customers and frontline healthcare workers and helping them ***quarantine without losing touch*** by providing extra local data, local voice call, free JOOX VIP music service, hmvod standard plan, and Home 5G Broadband service with to-the-door services.

3. Nurturing Talents

SmarTone continues its ***"5G STEM Classroom"***, offering 5G STEM courses with a guided tour at 5G LAB for local school students to experience 5G innovation applications.

4. Supporting Charities

SmarTone fully supports different ***charity events*** in the city with its powerful 5G network and staff, including the donation of free data cards and 5G Broadband service to underprivileged students during the suspension of face-to-face classes, to give back to the society and uphold social responsibility.

GROUP FINANCIAL SUMMARY

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

	2022	2021	2020	2019	2018
Consolidated profit and loss account					
Revenues	**6,957**	6,720	6,986	8,415	9,988
Profit attributable to Company's shareholders	**423**	445	379	632	615
Basic earnings per share ($)	**0.38**	0.40	0.34	0.56	0.55
Dividends					
Total dividends	**332**	333	331	438	458
Total per share for the year ($)	**0.30**	0.30	0.295	0.39	0.41
Consolidated balance sheet					
Total assets	**12,581**	10,650	10,432	9,883	10,018
Current liabilities	**(4,091)**	(2,660)	(2,874)	(2,673)	(2,497)
Total assets less current liabilities	**8,490**	7,990	7,558	7,210	7,521
Non-current liabilities	**(3,336)**	(2,893)	(2,545)	(2,133)	(2,689)
Non-controlling interests	**–**	22	20	(20)	(33)
Net assets	**5,154**	5,119	5,033	5,057	4,799
Share capital	**111**	111	112	112	112
Reserves	**5,043**	5,008	4,921	4,945	4,687
Total equity attributable to the Company's shareholders	**5,154**	5,119	5,033	5,057	4,799

羅兵咸永道

To the Shareholders of
SmarTone Telecommunications Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (the "Group") which are set out on pages 60 to 132, comprise:

- the consolidated balance sheet as at 30 June 2022;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition and expected credit loss assessment of financial assets at amortized cost.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to note 2(y) – Summary of significant accounting policies and note 3(a) – Critical accounting estimates and judgements. We focused on this area because the accuracy of revenue amounts recorded in the consolidated financial statements is an inherent risk in the telecommunications industry. Revenue recognition is therefore designated as a significant audit risk. Management's judgement is required to assess the relative standalone selling price of each performance obligation and the allocation of revenue among those different performance obligations in multiple-element contracts. Management has used an in-house developed application to extract relevant data from the existing systems to allocate and recognize revenue under the new standard. Significant effort is spent auditing the revenue recognized because of the high volume of transactions, complexity of the systems, frequent changes to a variety of tariff structures and different types of multiple-element contracts.	Our procedures in relation to revenue recognition included, but were not limited to: • Testing the relevant IT control environment in which billing and other relevant support systems reside, including changes made to processes and applications to support of HKFRS 15; • Assessing the appropriateness of management's assessments on the identification of performance obligations based on the contractual agreements; • Assessing the reasonableness of management's judgements and estimates used to determine the standalone selling price of each performance obligation and to allocate revenue to multiple-element arrangements with reference to observable market data; • Testing, the key controls over the capture and measurement of revenue transactions and performing detailed testing of revenue transactions, on a sample basis, by tracing the transactions from the billing systems to supporting documents, such as underlying invoices, contractual agreements and evidence of cash receipts; and • Testing, on a sample basis, the calculation and allocation of total transaction prices to each performance obligation of multiple-element arrangements and the related journal entries posting.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Expected credit loss ("ECL") assessment of financial assets at amortized cost
 	
Refer to note 2(k) – Summary of significant accounting policies, note 3(e) – Critical accounting estimates and judgements, and note 23 – Financial assets at amortized cost.
 	
As at 30 June 2022, the Group has investments in debt securities which are classified as financial assets at amortized cost. The related charge to the ECL for financial assets at amortized cost was recognized in the consolidated profit and loss account.
 	
The Group assessed whether the credit risk of the debt securities has increased significantly since their initial recognition and applied a three-stage impairment model approach to calculate the ECL. For debt securities that are classified as stage 1 or stage 2, the Group assessed the ECL using a model that incorporated relevant assumptions, including probability of default ("PD") and loss given default ("LGD"). For debt securities that are classified as stage 3, the Group assessed the ECL for each debt securities using various scenarios with probability weightings given to those different scenarios. The assumptions also take into account forward-looking estimates by referencing to macroeconomic factors.
 	
We focus on this area since determining the ECL involves significant management's judgements and is subject to a high degree of inherent uncertainty as to potential outcomes, which has increased significantly due to the recent market condition and volatility of the debt security market.
	Our procedures in relation to the ECL assessment of financial assets at amortized cost included, but were not limited to:
	
	• Obtaining an understanding of management's process for the ECL assessment;
	
	• Together with the assistance of our internal valuation expert;
	
	    • Assessing the reasonableness of management's judgement and estimates used to determine the staging by considering various factors such as the Group's historical credit loss experience, the circumstances concerning the business and financial affairs of the underlying debt issuers at the time of initial recognition as well as at the end of the reporting period, relevant industry information and expected industry outlook; and
	
	    • Assessing the reasonableness and appropriateness of the selection and application of models and underlying key assumptions, including the PD, LGD and expected cashflows, the application of multiple scenarios and assigned probability in the model by considering the supporting evidence such as credit reports issued by credible agencies, the latest financial information available from the debt securities issuers and other relevant information.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tse Ming Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2 September 2022

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Notes	2022 $000	2021 $000
Service revenue and other related service		**4,488,597**	4,338,890
Handset and accessory sales		**2,468,688**	2,381,418
Revenues	5	**6,957,285**	6,720,308
Cost of inventories sold		**(2,402,302)**	(2,315,791)
Cost of services provided		**(370,175)**	(372,041)
Staff costs	6	**(652,017)**	(588,682)
Other operating expenses, net	9	**(957,462)**	(984,203)
Depreciation, amortization and loss on disposal	9	**(1,831,707)**	(1,785,376)
Operating profit		**743,622**	674,215
Finance income	7	**1,635**	35,853
Finance costs	8	**(145,440)**	(114,035)
Profit before income tax	9	**599,817**	596,033
Income tax expense	10	**(176,891)**	(153,395)
Profit after income tax		**422,926**	442,638
Profit attributable to			
Company's shareholders		**423,170**	444,621
Non-controlling interests		**(244)**	(1,983)
		422,926	442,638
Earnings per share for profit attributable to Company's shareholders during the year (expressed in cents per share)	14		
Basic		**38.2**	39.9
Diluted		**38.2**	39.9

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

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

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

CONSOLIDATED BALANCE SHEET

At 30 June 2022
(Expressed in Hong Kong dollars)

	Notes	2022 $000	2021 $000
Non-current assets			
Fixed assets	16	**2,736,212**	2,679,862
Customer acquisition costs	17	**87,608**	76,874
Contract assets	18	**42,747**	68,571
Right-of-use assets	19	**917,635**	904,627
Interest in an associate	21	**3**	3
Financial asset at fair value through other comprehensive income	22	**16,194**	16,755
Financial assets at amortized cost	23	**336,973**	422,825
Intangible assets	24	**4,904,742**	3,119,536
Deposits and prepayments	25	**130,145**	167,485
Deferred income tax assets	26	**7,468**	5,585
Total non-current assets		**9,179,727**	7,462,123
Current assets			
Inventories	27	**100,036**	57,423
Financial assets at amortized cost	23	**54,783**	64,641
Contract assets	18	**88,312**	117,342
Trade receivables	25	**343,809**	332,177
Deposits and prepayments	25	**243,751**	211,331
Other receivables	25	**82,402**	56,654
Tax reserve certificate		**347,796**	253,484
Short-term bank deposits	28	**1,755,049**	–
Cash and cash equivalents	28	**385,467**	2,094,884
Total current assets		**3,401,405**	3,187,936
Current liabilities			
Trade payables	29	**239,453**	414,085
Other payables and accruals	29	**723,543**	722,367
Contract liabilities	30	**332,394**	304,111
Lease liabilities	31	**576,299**	546,301
Current income tax liabilities		**557,318**	492,981
Bank and other borrowings	32	**1,444,812**	77,189
Spectrum utilization fee liabilities	33	**217,609**	102,912
Total current liabilities		**4,091,428**	2,659,946

CONSOLIDATED BALANCE SHEET

At 30 June 2022
(Expressed in Hong Kong dollars)

	Notes	2022 $000	2021 $000
Non-current liabilities			
Asset retirement obligations	34	**75,710**	67,374
Contract liabilities	30	**14,455**	24,640
Lease liabilities	31	**328,522**	351,465
Bank and other borrowings	32	**66,000**	1,510,771
Spectrum utilization fee liabilities	33	**2,734,426**	826,962
Deferred income tax liabilities	26	**116,807**	111,793
Total non-current liabilities		**3,335,920**	2,893,005
Net assets		**5,153,784**	5,097,108
Capital and reserves			
Share capital	35	**110,579**	111,099
Reserves		**5,043,205**	5,007,874
Total equity attributable to the Company's shareholders		**5,153,784**	5,118,973
Non-controlling interests		**–**	(21,865)
Total equity		**5,153,784**	5,097,108

The financial statements on pages 60 to 132 were approved by the Board of Directors on 2 September 2022 and were signed on its behalf.

Kwok Ping-luen, Raymond
Director

Tam Lok-man, Norman
Director

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Notes	**2022** **$000**	2021 $000
Cash flows from operating activities			
Profit before income tax		**599,817**	596,033
Adjustments for:			
Depreciation of fixed assets	16	**639,345**	659,709
Depreciation of right-of-use assets	19	**668,914**	710,775
Amortization of intangible assets	24	**431,828**	325,552
Amortization of customer acquisition costs	17	**80,373**	72,121
Loss on disposal of fixed assets	9	**11,247**	17,219
Finance income	7	**(1,635)**	(35,853)
Finance costs	8	**145,440**	114,035
Share-based payments	6	**2,284**	8,461
		2,577,613	2,468,052
Changes in working capital			
(Increase)/decrease in inventories		**(42,613)**	2,222
Decrease in contract assets, trade receivables, deposits, prepayments and other receivables		**21,598**	153,029
(Decrease)/increase in trade and other payables, accruals, contract liabilities and deferred income		**(152,585)**	85,088
Capitalization of customer acquisition costs		**(91,107)**	(71,289)
Cash generated from operations		**2,312,906**	2,637,102
Interest paid		**(73,022)**	(85,698)
Income tax paid		**(109,416)**	(129,851)
Purchase of tax reserve certificate		**(94,312)**	(1,122)
Net cash inflow from operating activities		**2,036,156**	2,420,431
Cash flows from investing activities			
Payment for purchase of fixed assets		**(711,676)**	(850,507)
Proceeds from disposal of fixed assets		**73**	344
Proceeds from disposal of financial assets at amortized cost		**62,128**	179,107
Payment of spectrum utilization fee		**(252,682)**	(119,855)
(Increase)/decrease in short-term bank deposits		**(1,755,049)**	123,316
Payment for purchase of financial assets at amortized cost		**–**	(506,593)
Interest received		**35,568**	38,235
Net cash outflow from investing activities		**(2,621,638)**	(1,135,953)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Notes	2022 $000	2021 $000
Cash flows from financing activities			
Payment for repurchase of shares		**(22,360)**	(47,328)
Purchase of shares for share award scheme		**(3,563)**	(6,785)
Payment for acquisition of non-controlling interests		**(8,797)**	–
Repayment of bank borrowings		**(96,425)**	(222,783)
Principal elements of lease payments		**(660,012)**	(712,483)
Dividends paid to the Company's shareholders		**(332,853)**	(328,405)
Net cash outflow from financing activities		**(1,124,010)**	(1,317,784)
Net decrease in cash and cash equivalents		**(1,709,492)**	(33,306)
Cash and cash equivalents at 1 July		**2,094,884**	2,127,409
Effect of foreign exchange rates changes		**75**	781
Cash and cash equivalents at 30 June	28	**385,467**	2,094,884

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Attributable to the Company's shareholders										
	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 30 June 2020	112,227	1,640,986	2,453	15,818	997	18,340	(4,073)	3,246,259	5,033,007	(19,882)	5,013,125
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	444,621	444,621	(1,983)	442,638
Other comprehensive income											
Fair value gain on financial asset at fair value through other comprehensive income	–	–	12,404	–	–	–	–	–	12,404	–	12,404
Currency translation differences	–	–	–	–	–	–	2,998	–	2,998	–	2,998
Total comprehensive income for the year ended 30 June 2021	–	–	12,404	–	–	–	2,998	444,621	460,023	(1,983)	458,040
Transactions with owners											
Share-based payments (note 6)	–	–	–	–	–	8,461	–	–	8,461	–	8,461
Lapse of share option	–	–	–	–	–	(7,530)	–	7,530	–	–	–
Lapse of share award	–	–	–	–	–	(2,169)	–	2,169	–	–	–
Vesting of share award	–	–	–	–	6,842	(11,059)	–	4,217	–	–	–
Repurchase of shares (note 35(a))	(1,128)	–	–	1,128	–	–	–	(47,328)	(47,328)	–	(47,328)
Purchase of shares for share award scheme	–	–	–	–	(6,785)	–	–	–	(6,785)	–	(6,785)
Payment of 2020 final dividend	–	–	–	–	–	–	–	(167,312)	(167,312)	–	(167,312)
Payment of 2021 interim dividend (note 15)	–	–	–	–	–	–	–	(161,093)	(161,093)	–	(161,093)
Total transactions with owners	(1,128)	–	–	1,128	57	(12,297)	–	(361,817)	(374,057)	–	(374,057)
At 30 June 2021	111,099	1,640,986	14,857	16,946	1,054	6,043	(1,075)	3,329,063	5,118,973	(21,865)	5,097,108

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022
(Expressed in Hong Kong dollars)

	Attributable to the Company's shareholders										
	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 30 June 2021	111,099	1,640,986	14,857	16,946	1,054	6,043	(1,075)	3,329,063	5,118,973	(21,865)	5,097,108
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	423,170	423,170	(244)	422,926
Other comprehensive loss											
Fair value loss on financial asset at fair value through other comprehensive income	–	–	(561)	–	–	–	–	–	(561)	–	(561)
Currency translation differences	–	–	–	–	–	–	(400)	–	(400)	–	(400)
Total comprehensive income for the year ended 30 June 2022	–	–	(561)	–	–	–	(400)	423,170	422,209	(244)	421,965
Transactions with owners											
Share-based payments (note 6)	–	–	–	–	–	2,284	–	–	2,284	–	2,284
Lapse of share award	–	–	–	–	–	(976)	–	976	–	–	–
Vesting of share award	–	–	–	–	3,435	(5,646)	–	2,211	–	–	–
Repurchase of shares (note 35(a))	(520)	–	–	520	–	–	–	(22,360)	(22,360)	–	(22,360)
Purchase of shares for share award scheme	–	–	–	–	(3,563)	–	–	–	(3,563)	–	(3,563)
Acquisition of non-controlling interests (note 38)	–	–	–	–	–	–	–	(30,906)	(30,906)	22,109	(8,797)
Payment of 2021 final dividend	–	–	–	–	–	–	–	(172,203)	(172,203)	–	(172,203)
Payment of 2022 interim dividend (note 15)	–	–	–	–	–	–	–	(160,650)	(160,650)	–	(160,650)
Total transactions with owners	(520)	–	–	520	(128)	(4,338)	–	(382,932)	(387,398)	22,109	(365,289)
At 30 June 2022	110,579	1,640,986	14,296	17,466	926	1,705	(1,475)	3,369,301	5,153,784	–	5,153,784

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

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 "SEHK").

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income, measured at fair value.

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

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

(ii) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 July 2021.

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

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

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

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

Annual Improvements Project	Annual Improvements 2018–2020 Cycle[1]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[2]
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
HKAS 8 (Amendments)	Definition of Account Estimates[2]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use[1]
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract[1]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[1]
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
AG 5 (Revised)	Merger Accounting for Common Control Combinations[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 The original effective date of 1 January 2016 has been postponed until further announcement.

2 Summary of significant accounting policies *(continued)*

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognized at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(j).

2 Summary of significant accounting policies *(continued)*

(b) Principles of consolidation and equity accounting *(continued)*

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized 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 recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct 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.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of the Company has appointed the Group's senior executive management to assess the financial performance and position of the Group, and makes strategic decisions.

2 Summary of significant accounting policies *(continued)*

(e) 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 dollar (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 at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to bank and other borrowings, financial assets at amortized cost, 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 on a net basis within "other operating expenses, net".

Translation differences on non-monetary financial assets, such as equities classified as financial asset at fair value through other comprehensive income, are recognized in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit and loss account and statement of comprehensive income are translated at average exchange rates (unless this 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 dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange difference arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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 are not recognized in profit or loss.

2 Summary of significant accounting policies *(continued)*

(f) Intangible assets

Intangible assets are stated in the consolidated balance sheet at cost less accumulated amortization (where the estimated useful life is other than indefinite) and impairment losses as described in note 2(j).

(i) Spectrum utilization fee

Spectrum utilization fee represents 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. Amortization 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 capitalized as part of the intangible asset consistent with the policy for borrowing costs as set out in note 2(t). 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 recognized in the consolidated profit and loss account as incurred.

(g) 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 recognized 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 any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of 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% – $33^1/_3$%
Other fixed assets	20% – $33^1/_3$%

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.

2 Summary of significant accounting policies *(continued)*

(g) Fixed assets *(continued)*

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 2(j)).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

(h) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

Leases are recognized as right-of-use assets and the corresponding lease liabilities at the dates at which the leased assets are available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

(i) Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 Summary of significant accounting policies *(continued)*

(h) Leases *(continued)*

(i) Lease liabilities *(continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until effective. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between the principal and finance cost. The finance cost is charged to the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

(iii) Short-term and low-value leases

Payments associated with short-term leases for all classes of underlying assets and all low-value leases are recognized on a straight-line basis over the lease terms as expenses in the consolidated profit and loss account. Short-term leases are leases with a lease term of 12 months or less.

2 Summary of significant accounting policies *(continued)*

(i) Customer acquisition costs eligible for capitalization

The incremental costs of obtaining telecommunications services contracts are those costs that would not have been incurred if the contract had not been obtained. These incremental costs are required to be capitalized as an asset when incurred, and amortized on a straight-line basis in the consolidated profit and loss account over the minimum enforceable contractual period.

(j) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at financial asset at fair value through other comprehensive income; and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in other comprehensive income. For investments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

For assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Group reclassifies financial assets at amortized cost when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies *(continued)*

(k) Investments and other financial assets *(continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets at amortized cost

Subsequent measurement of financial assets at amortized cost depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated profit and loss account.

Financial assets at fair value

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Investment income from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

(iv) Impairment

The Group recognizes an allowance for expected credit losses for:

- financial assets at amortized cost; and
- financial asset at fair value through other comprehensive income

Expected credit losses are a probability-weighted estimate of credit losses, measured based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2 Summary of significant accounting policies *(continued)*

(k) Investments and other financial assets *(continued)*

(iv) Impairment *(continued)*

Expected credit losses are recognized in stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the 12 months after the reporting date. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses that result from all possible default events over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Group considers a financial asset is in default when the Group is unlikely to receive the outstanding contractual amounts in full, without recourse by the Group to action such as realizing the security (if any is held). A financial asset can be classified as in default but without an allowance for credit losses (i.e. no impairment loss is expected) after taking into account the value of collateral held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Write-offs can relate to a financial asset in its entirety, or to a portion of it, and constitute a derecognition event.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(m) Inventories

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

(n) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 45 days and therefore are all classified as current.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See note 2(j) for a description of the Group's impairment policies.

2 Summary of significant accounting policies *(continued)*

(o) Contract assets

Contract assets relating to multiple-element arrangements are recognized when the Group has performed the service or transferred the good to the customer before the customer pays consideration or before payment is due.

(p) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank and on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) 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 instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders as treasury shares 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 shareholders.

Shares held for share award scheme are deducted from equity.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair values and subsequently measured at amortized costs using the effective interest method.

(s) Contract liabilities

The Group recognizes contract liabilities when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group performs a service or transfers a good to the customer.

2 Summary of significant accounting policies *(continued)*

(t) Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized 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 capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

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 reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

(u) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies *(continued)*

(u) Current and deferred income tax *(continued)*

(ii) Deferred income tax

Deferred income tax is provided in full, 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(v) Provisions

Provisions are recognized 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 can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognized for future operating losses.

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 recognized 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2 Summary of significant accounting policies *(continued)*

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized 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 recognized until the time of leave.

(ii) Bonus plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes 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 recognized as an expense in the consolidated profit and loss account when they are due. Prepaid contributions are recognized 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.

2 Summary of significant accounting policies *(continued)*

(w) Employee benefits *(continued)*

(iv) Share-based payments

Share-based compensation benefits are provided to employees via share award scheme and share option scheme. Information relating to these schemes is set out in note 36. The Group operates equity-settled, share-based compensation plans under which the Group receives services from employees as consideration for equity instruments of the Group.

Share award scheme

Under the share award scheme, shares are issued to employees for no cash consideration. The fair value of the employee services received in exchange for the award of the shares is recognized as an expense with a corresponding adjustment to equity. The total amount to be expensed is determined by reference to the market value of the shares awarded at the grant date. The total expense is recognized over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

The grant by the Company of its own shares to employees of subsidiary undertakings in the Group is treated as capital contribution. The market value of the shares awarded at the grant date is recognized over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity in the parent entity financial statements.

Share option scheme

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions (for example, the 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). The total expense is recognized over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. 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 vesting and service conditions. It recognizes 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 recognized over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity in the parent entity financial statements.

2 Summary of significant accounting policies *(continued)*

(x) 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 recognized 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 recognized.

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 recognized 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 recognized 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 recognized as a provision.

(y) Revenue recognition

Revenue is measured at 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 recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and 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 customers, the type of transaction and the specifics of each arrangement.

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

(i) Sales of goods

Revenue from the sales of goods is recognized when control of the products has been transferred to the customer, 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 recognized when the services are rendered. Service revenue in respect of standard service plans billed in advance is deferred and included under contract liabilities.

(iii) Multiple-element arrangements

The amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset device element provided within the bundled contracts.

2 Summary of significant accounting policies *(continued)*

(z) Interest income

Interest income on financial assets at amortized cost and financial asset at fair value through other comprehensive income calculated using the effective interest method is recognized in the consolidated profit and loss account as part of "finance income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(aa) Dividend income

Dividends are recognized as revenue when the right to receive payment is established.

(ab) Earning per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the Company's shareholders

- by the weighted average number of ordinary shares outstanding during the financial year and excluding shares held for share award scheme.

(ii) Diluted earnings per share

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

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

(ac) Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ad) 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 recognizes 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 recognized in the consolidated profit and loss account immediately.

2 Summary of significant accounting policies *(continued)*

(ae) Related parties

For the purposes of these consolidated 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.

(af) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Revenue recognition

The amount of revenue recognized for each performance obligation is determined by considering the standalone selling prices or estimated fair values of each of the services element and handset device element provided within the bundled contracts. The Group is required to exercise considerable judgement in relation to estimating the fair value of undelivered element.

(b) 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 utilization 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.

3 Critical accounting estimates and judgements *(continued)*

(c) Impairment of fixed assets, right-of-use assets and intangible assets

The Group performs impairment assessment on fixed assets, right-of-use assets and intangible assets when there is any impairment indicator. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require judgements and estimates.

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 cash-generating unit 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 for which the ultimate tax determination is uncertain. 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.

(e) Expected credit loss ("ECL") for financial assets at amortized cost

The measurement of the ECL for financial assets at amortized cost is an area that requires significant assumptions about future economic conditions and credit behaviour.

Significant judgements are required in applying the accounting requirements for measuring ECL. The Group assessed whether the credit risk of the financial assets at amortized cost increased significantly since their initial recognition, and applied a three-stage impairment model approach to calculate the ECL. For financial assets at amortized cost that are classified as stage 1 or stage 2, the Group assessed the ECL using a model that incorporated relevant assumptions, including Probability of Default ("PD") and Loss Given Default ("LGD"). For financial assets at amortized cost classified as stage 3, the Group assessed the ECL using a discounted cashflow model with probability weightings given to different probable scenarios. The assumptions also consider forward-looking estimates by referencing to macro-economic factors.

Details of the key assumptions and inputs used are disclosed in note 4.

4 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Hong Kong dollar (HK$)	Cash flow forecasting Sensitivity analysis
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis
Market risk – security prices	Investments in equity securities	Sensitivity analysis
Credit risk	Cash and cash equivalents, trade receivables, financial assets at amortized cost, other receivables and contract assets	Ageing analysis Credit ratings
Liquidity risk	Borrowings and other liabilities	Projected cash flow analysis

The Group's treasury policy, approved from time to time by the board of directors, is designed to minimize 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 risk factors

(i) Market risk

The Group's exposure to 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 exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity, primarily with respect to the US dollar. Any change in the exchange rates of US dollar 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. The Group currently does not undertake any foreign currency hedging.

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Foreign exchange risk (continued)

Exposure

The Group's exposure to foreign currency risk of US dollar at the end of the reporting period, expressed in Hong Kong dollar, was as follows:

	2022	2021
	$000	$000
Financial assets at amortized cost	**391,756**	487,466
Financial asset at fair value through other comprehensive income	**16,194**	16,755
Trade receivables	**55,722**	54,961
Cash and cash equivalents	**2,954**	77,872
Bank and other borrowings	**(1,444,812)**	(1,522,117)
Trade payables	**(76,227)**	(190,400)
Other payables and accruals	**(35,091)**	(37,258)

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in US/HK$ exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from the United States dollar denominated financial instruments.

	Impact on pre-tax profit	
	2022	2021
	$000	$000
US/HK$ exchange rate – increase 1%*	**(10,895)**	(11,127)
US/HK$ exchange rate – decrease 1%*	**10,895**	11,127

* Holding all other variables constant

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises 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 and financial assets at amortized cost issued at fixed rates expose the Group to fair value interest rate risk.

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Cash flow and fair value interest rate risk (continued)

The exposure of the Group's borrowing to interest rate changes at the end of the reporting period are as follows:

	2022 $000	% of total borrowings	2021 $000	% of total borrowings
Variable rate borrowings	**66,000**	**4%**	65,843	4%
Fixed rate borrowings	**1,444,812**	**96%**	1,522,117	96%
	1,510,812	**100%**	1,587,960	100%

An analysis by maturities is provided in note 4(a)(iii). The percentage of total borrowings shows the proportion of borrowings that are currently at variable rates in relation to the total amount of borrowings.

Sensitivity

Profit or loss is sensitive to higher/lower net interest income from bank deposits and interest expenses on bank borrowings as a result of changes in interest rates.

	Impact on pre-tax profit	
	2022 $000	2021 $000
Interest rates – increase by 100 basis points*	**20,680**	20,160
Interest rates – decrease by 100 basis points*	**(20,680)**	(20,160)

* Holding all other variables constant

Price risk

The Group's exposure to price risk arises from investment held by the Group and classified in the balance sheet as financial asset at fair value through other comprehensive income. The financial asset at fair value through other comprehensive income is stated at fair value based on the net asset value per unit of the respective fund as determined by the manager of the relevant fund. The Group manages its exposure by closely monitoring the price movements and the change in market conditions that may affect the value of the investment.

At 30 June 2022, if the fair value of the financial asset at fair value through other comprehensive income 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 $1,619,000 (2021: $1,676,000).

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of financial assets carried at amortized cost, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Risk management

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 financial assets at amortized cost in accordance with the mandates as approved by the Board of Directors.

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.

Impairment

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables from the provision of mobile telecommunication services and from the provision of multiple-element arrangements;
- contract assets relating to multiple-element arrangements;
- other receivables and deposits; and
- financial assets at amortized cost.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade receivables and contract assets, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Details are set out in note 25.

The overall impact of impairment of the contract assets on the consolidated financial statements is considered by management. Management considered the lifetime expected losses with respect to these contract assets were minimal as at 30 June 2022 and the Group made no write-offs or provision for these contract assets during the year.

Other receivables and deposits are considered to be low credit risk as the counterparties have capacity to meet their contractual cash flow obligation. Therefore, applying the expected credit risk model resulted in an immaterial impact on the provision for doubtful debts for these financial assets.

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

Expected credit loss allowance has been provided for financial assets at amortized cost. The measurement of ECL on financial assets at amortized cost reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopts a "three-stage" model for impairment based on changes in credit quality since initial recognition, to estimate the expected credit losses for financial assets at amortized cost. The key definition of the three stages is summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition or that have low credit risk at the reporting date, the expected credit losses are recognized at an amount equal to the portions of lifetime expected credit losses that result from default events possible within the next 12 months;

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but there is no objective evidence of impairment, lifetime expected credit losses are recognized and interest income is calculated on the gross carrying amount of the asset;

Stage 3: For financial instruments in default at the end of the reporting period, lifetime expected credit losses are recognized and interest income is calculated on the net carrying amount of the asset, i.e. gross carrying amount less ECL allowance.

Significant increase in credit risk (Stage 2)

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on an ongoing basis. The Group sufficiently considers reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, external credit rating, repayment ability, operation capacity, repayment behaviours, market price etc.

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

Definition of default (Stage 3)

The Group determines that a financial instrument is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- there is a breach of contract, such as a default or past due event.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which was mainly based on past due information unless other information was available without undue cost or effort, and year-end staging classification as at 30 June. For financial assets at amortized cost, the Group also monitored them by using external credit ratings and the amounts presented below are gross carrying amounts.

	12-month ECLs	Lifetime ECLs		
	Stage 1 $000	Stage 2 $000	Stage 3 $000	Total $000
At 30 June 2022				
Financial assets at amortized cost	**104,267**	**212,290**	**106,199**	**422,756**
At 30 June 2021				
Financial assets at amortized cost	487,466	–	–	487,466

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

During the year, the following loss allowances were recognized in consolidated profit and loss account in relation to the Group's financial assets measured at amortized costs.

	12-month ECLs Stage 1 $000	Lifetime ECLs Stage 2 $000	Stage 3 $000	Total $000
At 1 July 2021	–	–	–	–
Financial assets at amortized cost	86	3,412	27,502	31,000
At 30 June 2022	**86**	**3,412**	**27,502**	**31,000**

For the credit-impaired financial assets at amortized cost (stage 3), the impairment loss was estimated based on management's assessment on the eventual shortfall of cash recoverable using a lifetime expected credit loss model. The impairment assessment used key inputs based on the most recent available financial information of the underlying investment. The assessments on the financial assets at amortized cost under Stage 3 involved probability weighted outcomes and calculation of an expected value as a whole.

After calculating the expected values of financial assets at amortized cost under different scenarios, a weighted ECL was calculated for the financial assets at amortized cost.

The below table illustrates the assumptions used in estimating the ECL recorded on financial assets at amortized cost under stage 3:

Issuer	Maturity dates	Coupon rate %	Credit rating 30 June 2022	Credit rating 30 June 2021	Changes in ECL recorded in profit and loss for the year ended 30 June 2022 $M	ECL balance as at 30 June 2022 $M	Scenario	Scenario probability %	Payment terms
Issuer 1	25 August 2022 – 9 June 2024	6.5%–7.5%	Caa2	Ba2	(27.5)	27.5	– Restructuring – Straight sale – Liquidation	5%–60%	1–5 years

For other financial assets at amortized cost under stage 1 and stage 2, the coupon rates are ranging from 4.5% to 7.9% (30 June 2021: 4.5% to 8.5%), with maturity dates ranging from 1 February 2023 to 18 August 2025 and credit rating ranging from Baa2 to B3 (30 June 2021: from Aa2 to Ba3).

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(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.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	1 year or less $000	1 year to 2 years $000	2 years to 5 years $000	Over 5 years $000	Total contractual cash flows $000	Carrying amount $000
At 30 June 2022						
Trade payables	**239,453**	**–**	**–**	**–**	**239,453**	**239,453**
Other payables and accruals	**588,516**	**–**	**–**	**–**	**588,516**	**588,516**
Bank and other borrowings (include interest payable)	**1,503,274**	**3,980**	**15,746**	**61,659**	**1,584,659**	**1,523,711**
Spectrum utilization fee liabilities	**219,636**	**224,999**	**708,504**	**2,329,764**	**3,482,903**	**2,952,035**
Lease liabilities	**583,644**	**276,256**	**55,606**	**1,183**	**916,689**	**904,821**
Total	**3,134,523**	**505,235**	**779,856**	**2,392,606**	**6,812,220**	**6,208,536**
At 30 June 2021						
Trade payables	414,085	–	–	–	414,085	414,085
Other payables and accruals	558,116	–	–	–	558,116	558,116
Bank and other borrowings (include interest payable)	135,850	1,505,958	14,286	67,099	1,723,193	1,601,288
Spectrum utilization fee liabilities	104,881	68,267	215,212	712,934	1,101,294	929,874
Lease liabilities	556,382	251,399	104,279	1,162	913,222	897,766
Total	1,769,314	1,825,624	333,777	781,195	4,709,910	4,401,129

4 Financial risk management *(continued)*

(b) Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as total equity attributable to the Company's shareholders, 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 financial assets at amortized cost.

	2022 **$000**	2021 $000
Net cash	**1,021,460**	994,390
Total equity	**5,153,784**	5,097,108
Net debt to equity ratio	**N/A**	N/A

(c) Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

4 Financial risk management *(continued)*

(c) Fair value estimation *(continued)*

The following table presents the Group's financial assets that are measured and recognized at fair value at 30 June 2022 and 2021.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Financial asset at fair value through other comprehensive income (note 22)				
At 30 June 2022	**–**	**16,194**	**–**	**16,194**
At 30 June 2021	–	16,755	–	16,755

There were no transfers between level 1 and level 2 during the year.

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

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

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

See note 22(d) for the valuation techniques used to value financial assets measured at fair value. There were no changes in valuation techniques during the year.

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

5 Segment reporting

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

The CODM examines the Group's performance from a geographic perspective based on the location in which the sale originated. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortization and loss on disposal ("EBITDA") and operating profit.

5 Segment reporting *(continued)*

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

(a) Segment results

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

5 Segment reporting *(continued)*

(a) Segment results *(continued)*

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

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

5 Segment reporting *(continued)*

(b) Segment assets/(liabilities)

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

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

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

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

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

6 Staff costs

	2022	2021
	$000	$000
Wages and salaries	**584,475**	534,500
Bonuses	**29,000**	11,720
Contributions to defined contribution plans	**36,258**	34,001
Share-based payments	**2,284**	8,461
	652,017	588,682

7 Finance income

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

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

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

8 Finance costs

	Notes	2022 $000	2021 $000
Interest expense on bank and other borrowings		**62,220**	65,942
Accretion expenses			
Spectrum utilization fee liabilities	33	**57,809**	21,508
Lease liabilities	31	**13,934**	24,337
Asset retirement obligations	34	**502**	545
Net exchange loss on financing activities	13	**10,975**	1,657
Loss on disposal of financial assets at amortized cost		**–**	46
		145,440	114,035

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

9 Profit before income tax

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

	Notes	2022 $000	2021 $000
Other operating expenses, net			
– Network costs		**532,371**	559,779
– Short-term and low-value leases		**38,761**	40,140
– Impairment loss of trade receivables	25	**1,284**	7,571
– Auditor's remuneration			
– Audit services		**2,553**	2,476
– Non-audit services		**864**	985
– Net exchange loss	13	**1,844**	3,092
– Others		**379,785**	370,160
Loss on disposal of fixed assets		**11,247**	17,219
Depreciation of fixed assets	16	**639,345**	659,709
Depreciation of right-of-use assets	19	**668,914**	710,775
Amortization of spectrum utilization fee	24	**431,828**	325,552
Amortization of customer acquisition costs	17	**80,373**	72,121
(Reversal of)/impairment loss of inventories	27	**(5,103)**	459

10 Income tax expense

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

(a) Income tax expense

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

10 Income tax expense *(continued)*

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

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

(c) Tax losses

	2022 $000	2021 $000
Unused tax losses for which no deferred tax asset has been recognized	**146,249**	177,528
Potential tax benefit	**18,326**	23,332

The unused tax losses were incurred by subsidiaries that are not expected to generate sufficient profits in the foreseeable future. For subsidiaries operating in Hong Kong, the losses can be carried forward indefinitely and have no expiry date. For the subsidiary operating in Macau, the losses are subject to an expiry period of three years from the year in which the tax loss arises.

11 Five highest paid individuals

Of the five highest paid individuals, two (2021: two) are directors whose emoluments are disclosed in note 42. The aggregate of the emoluments in respect of the other three (2021: three) individuals are as follows:

	2022 **$000**	2021 $000
Salaries, allowances and benefits in kind	**7,419**	8,358
Bonuses	**1,507**	1,000
Retirement scheme contributions	**554**	510
Share-based payments	**124**	376
	9,604	10,244

The emoluments of the three (2021: three) highest paid individuals are within the following bands:

	2022 **Number of Individuals**	2021 Number of Individuals
$2,500,001 – $3,000,000	**1**	1
$3,000,001 – $3,500,000	**1**	1
$3,500,001 – $4,000,000	**1**	–
$4,000,001 – $4,500,000	**–**	1
$4,500,001 – $5,000,000	**–**	–
	3	3

12 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 2022, all available forfeited contributions had been utilized by the Group to reduce its contributions payable (2021: 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 (2021: same). Contributions to the scheme vest immediately.

13 Net exchange loss

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

	2022	2021
	$000	$000
Other operating expenses, net (note 9)	**1,844**	3,092
Finance costs (note 8)	**10,975**	1,657
	12,819	4,749

14 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to Company's shareholders
- by the weighted average number of ordinary shares outstanding during the financial year and excluding shares held for share award scheme (note 36).

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

(b) Diluted earnings per share

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

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

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

14 Earnings per share *(continued)*

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

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

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

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

15 Dividends

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

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

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

16 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 1 July 2020							
Cost	264,318	156,357	8,158,013	1,263,397	138,651	198,396	10,179,132
Accumulated depreciation and impairment	(243,948)	(35,045)	(5,994,089)	(1,091,655)	(102,321)	(7,590)	(7,474,648)
Net book amount	20,370	121,312	2,163,924	171,742	36,330	190,806	2,704,484
Year ended 30 June 2021							
Opening net book amount	20,370	121,312	2,163,924	171,742	36,330	190,806	2,704,484
Exchange differences	253	367	–	186	34	–	840
Additions	5,049	–	1,875	95,534	11,942	537,410	651,810
Reclassifications	–	–	560,230	–	–	(560,230)	–
Disposals	(35)	–	(13,173)	(70)	(786)	(3,499)	(17,563)
Depreciation (note 9)	(11,738)	(4,347)	(547,244)	(89,258)	(7,122)	–	(659,709)
Closing net book amount	13,899	117,332	2,165,612	178,134	40,398	164,487	2,679,862
At 30 June 2021							
Cost	258,013	157,019	8,482,340	1,152,696	134,762	171,325	10,356,155
Accumulated depreciation and impairment	(244,114)	(39,687)	(6,316,728)	(974,562)	(94,364)	(6,838)	(7,676,293)
Net book amount	13,899	117,332	2,165,612	178,134	40,398	164,487	2,679,862
Year ended 30 June 2022							
Opening net book amount	**13,899**	**117,332**	**2,165,612**	**178,134**	**40,398**	**164,487**	**2,679,862**
Exchange differences	**(53)**	**(88)**	**–**	**(40)**	**(5)**	**–**	**(186)**
Additions	**3,883**	**–**	**2,306**	**66,221**	**75,625**	**560,408**	**708,443**
Reclassifications	**–**	**–**	**539,099**	**–**	**–**	**(539,099)**	**–**
Disposals	**–**	**–**	**(8,922)**	**(1,478)**	**(1,129)**	**(1,033)**	**(12,562)**
Depreciation (note 9)	**(6,726)**	**(4,358)**	**(534,752)**	**(73,185)**	**(20,324)**	**–**	**(639,345)**
Closing net book amount	**11,003**	**112,886**	**2,163,343**	**169,652**	**94,565**	**184,763**	**2,736,212**
At 30 June 2022							
Cost	**251,883**	**156,839**	**8,904,325**	**1,171,647**	**201,756**	**189,133**	**10,875,583**
Accumulated depreciation and impairment	**(240,880)**	**(43,953)**	**(6,740,982)**	**(1,001,995)**	**(107,191)**	**(4,370)**	**(8,139,371)**
Net book amount	**11,003**	**112,886**	**2,163,343**	**169,652**	**94,565**	**184,763**	**2,736,212**

At 30 June 2022, buildings with a carrying amount of $67,867,000 (2021: $70,305,000) were pledged as security for bank borrowings of the Group (note 32).

17 Customer acquisition costs

	$000
At 1 July 2020	
Cost	195,496
Accumulated amortization	(117,790)
Net book amount	77,706
Year ended 30 June 2021	
Opening net book amount	77,706
Additions	71,289
Amortization (note 9)	(72,121)
Closing net book amount	76,874
At 30 June 2021	
Cost	169,802
Accumulated amortization	(92,928)
Net book amount	76,874
Year ended 30 June 2022	
Opening net book amount	**76,874**
Additions	**91,107**
Amortization (note 9)	**(80,373)**
Closing net book amount	**87,608**
At 30 June 2022	
Cost	**179,157**
Accumulated amortization	**(91,549)**
Net book amount	**87,608**

18 Contract assets

	2022			2021		
	Current $000	**Non-current $000**	**Total $000**	Current $000	Non-current $000	Total $000
Contract assets	**88,312**	**42,747**	**131,059**	117,342	68,571	185,913

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

19 Right-of-use assets

The Group leases various transmission sites, offices, warehouses, retail stores and leased lines. Rental contracts are typically made for fixed periods of one to fifteen years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The balance sheet shows the following amounts relating to leases:

	2022 $000	2021 $000
Leasehold land and land use rights	**8,413**	9,282
Transmission sites	**752,312**	712,069
Offices, warehouses and retail stores	**144,158**	168,719
Leased lines	**12,752**	14,557
	917,635	904,627

Additions to the right-of-use assets with the corresponding increase in lease liabilities and assets retirement obligations during the year ended 30 June 2022 were $667,143,000 (2021: $646,958,000) and $15,036,000 (2021: $21,702,000) respectively.

Depreciation of right-of-use assets recognized in the consolidated profit and loss account is as follows:

	2022 $000	2021 $000
Leasehold land and land use rights	**676**	654
Transmission sites	**561,044**	589,121
Offices, warehouses and retail stores	**104,896**	118,626
Leased lines	**2,298**	2,374
	668,914	710,775

(Expressed in Hong Kong dollars)

20 Subsidiaries

Particulars of the principal subsidiaries at 30 June 2022 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Group equity interest 2022	Group equity interest 2021
SmarTone (BVI) Limited *	The British Virgin Islands ("BVI")	Investment holding in BVI	1,000 ordinary shares of US$1 each US$1,000	**100%**	100%
SmarTone Mobile Communications Limited	Hong Kong	Provision of mobile services and sales of handsets and accessories in Hong Kong	100,000,000 ordinary shares of $1 each $100,000,000	**100%**	100%
SmarTone Communications Limited	Hong Kong	Provision of wireless fixed services in Hong Kong	2 ordinary shares of $1 each $2	**100%**	100%
SmarTone Finance Limited	BVI	Issuance of guaranteed notes in Hong Kong	1 ordinary share of US$1 each US$1	**100%**	100%
Birdie Mobile Limited	Hong Kong	Provision of local and international telecommunications services and mobile services and sales of accessories in Hong Kong	2 ordinary shares of $1 each $2	**100%**	100%
SmarTone-Comunicações Móveis, S.A.	Macau	Provision of mobile services and sales of handsets and accessories in Macau	100,000 shares of MOP100 each MOP10,000,000	**100%**	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%**	100%

* Subsidiary held directly by the Company.
\# Registered as wholly foreign owned enterprises under PRC law.

All of the above subsidiaries are limited liability companies.

21 Interest in an associate

	2022 $000	2021 $000
Share of net assets	**3**	3

During the year ended 30 June 2022, there is no movement of share of net assets of interest in an associate (2021: same).

Particulars of the associate at 30 June 2022 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Interest held 2022	Interest held 2021
New Top Finance Limited	BVI	Investment holding in BVI	375 ordinary shares of US$1 each	**37.5%**	37.5%

The Group has not disclosed the assets, liabilities, and retained profits of the associate as the amounts are immaterial to the Group.

There are no contingent liabilities relating to the Group's interest in the associate.

22 Financial asset at fair value through other comprehensive income

(a) Classification of financial asset at fair value through other comprehensive income

Financial asset at fair value through other comprehensive income comprise:

- Equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

(b) Equity investment at fair value through other comprehensive income

	2022 $000	2021 $000
Non-current asset		
Unlisted investment	**16,194**	16,755

On disposal of this equity investment, any related balance within the fair value through other comprehensive income reserve will be reclassified to retained earnings.

22 Financial asset at fair value through other comprehensive income *(continued)*

(c) Amounts recognized in other comprehensive income

During the year, the following (loss)/gain was recognized in other comprehensive income.

	2022	2021
	$000	$000
(Loss)/gain recognized in other comprehensive income	**(561)**	12,404

(d) Fair value and risk exposure

The Group holds investment in a fund that primarily invests in traded shares, and is denominated in US dollars.

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

Information about the methods and assumptions used in determining fair value is provided in note 4(c).

For an analysis of the sensitivity of the asset to price risk refer to note 4(a)(i).

23 Financial assets at amortized cost

Financial assets at amortized cost include the following:

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Listed investments	**65,053**	**357,703**	**422,756**	64,641	422,825	487,466
Less: expected credit loss allowance	**(10,270)**	**(20,730)**	**(31,000)**	–	–	–
	54,783	**336,973**	**391,756**	64,641	422,825	487,466

The fair values of the financial assets at amortized cost are based on quoted market prices.

	2022	2021
	$000	$000
Fair values of financial assets at amortized cost	**222,036**	482,521

The financial assets at amortized cost are denominated in US dollars and the investments will be held to maturity.

24 Intangible assets

	Spectrum utilization fee $000
At 1 July 2020	
Cost	4,498,827
Accumulated amortization	(1,626,267)
Net book amount	2,872,560
Year ended 30 June 2021	
Opening net book amount	2,872,560
Additions	572,528
Amortization (note 9)	(325,552)
Closing net book amount	3,119,536
At 30 June 2021	
Cost	4,956,837
Accumulated amortization	(1,837,301)
Net book amount	3,119,536
Year ended 30 June 2022	
Opening net book amount	**3,119,536**
Additions	**2,217,034**
Amortization (note 9)	**(431,828)**
Closing net book amount	**4,904,742**
At 30 June 2022	
Cost	**6,986,541**
Accumulated amortization	**(2,081,799)**
Net book amount	**4,904,742**

The Group extended the spectrum utilization period of the 1800 MHz band to 29 September 2036 during the year ended 30 June 2022. As a result of the bid of a block 15 MHz spectrum at the 850 MHz band, 40 MHz spectrum at the 4.9 GHz band and 10 MHz spectrum at the 700 MHz band, the Group acquired $377 million of spectrums during the year ended 30 June 2022. These spectrums have expiry dates ranging from 29 December 2036 to 29 June 2037.

The Group extended the spectrum utilization period of the 900 MHz band to 11 January 2036 during the year ended 30 June 2021.

25 Trade and other receivables

	2022			2021		
	Current $000	**Non-current $000**	**Total $000**	Current $000	Non-current $000	Total $000
Trade receivables	**350,627**	**–**	**350,627**	340,636	–	340,636
Less: loss allowance	**(6,818)**	**–**	**(6,818)**	(8,459)	–	(8,459)
	343,809	**–**	**343,809**	332,177	–	332,177
Other receivables	**82,402**	**–**	**82,402**	56,654	–	56,654
	426,211	**–**	**426,211**	388,831	–	388,831
Deposits	**78,949**	**60,914**	**139,863**	88,761	61,551	150,312
Prepayments	**164,802**	**69,231**	**234,033**	122,570	105,934	228,504
Total trade and other receivables	**669,962**	**130,145**	**800,107**	600,162	167,485	767,647

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 (2021: same). An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

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

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in a loss of $1,284,000 (2021: $7,571,000) for the impairment of its trade receivables during the year ended 30 June 2022.

25 Trade and other receivables *(continued)*

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

	2022	2021
	$000	$000
At 1 July	**8,459**	6,503
Impairment loss recognized in the consolidated profit and loss account (note 9)	**1,284**	7,571
Amounts written off during the year	**(2,925)**	(5,615)
At 30 June	**6,818**	8,459

At 30 June 2022, trade receivables of $6,818,000 (2021: $8,459,000) 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:

	2022	2021
	$000	$000
Past due 31 – 60 days	**432**	729
Past due 61 – 90 days	**899**	783
Past due over 90 days	**5,487**	6,947
	6,818	8,459

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

26 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% (2021: 16.5%) and the appropriate current tax rates ruling in the relevant countries respectively.

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

	Spectrum utilization fee assets $000	Decelerated depreciation allowance $000	Tax losses $000	Total $000
At 1 July 2020	6,405	4,141	–	10,546
Recognized in the consolidated profit and loss account	(5,510)	(1,814)	3,258	(4,066)
At 30 June 2021	895	2,327	3,258	6,480
At 1 July 2021	**895**	**2,327**	**3,258**	**6,480**
Recognized in the consolidated profit and loss account	**(895)**	**(2,245)**	**4,128**	**988**
At 30 June 2022	**–**	**82**	**7,386**	**7,468**

(b) Deferred income tax liabilities

	Accelerated depreciation allowance $000
At 1 July 2020	119,985
Recognized in the consolidated profit and loss account	(7,297)
At 30 June 2021	112,688
At 1 July 2021	**112,688**
Recognized in the consolidated profit and loss account	**4,119**
At 30 June 2022	**116,807**

26 Deferred income tax *(continued)*

Deferred income tax assets in the consolidated balance sheet comprise decelerated depreciation allowance and tax losses of $7,468,000 (2021: $5,585,000).

Deferred income tax liabilities in the consolidated balance sheet comprise spectrum utilization fee assets and accelerated deprecation allowance of $116,807,000 (2021: $111,793,000).

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognized deferred income tax assets of $18,326,000 (2021: $23,332,000) in respect of tax losses of $146,249,000 (2021: $177,528,000). Under the current tax legislation, unrecognized tax losses of $128,991,000 (2021: $132,446,000) related to the 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.

27 Inventories

	2022	2021
	$000	$000
Handsets and accessories, at cost	**82,648**	51,593
Others, at cost	**22,036**	18,945
Less: provision for slow-moving and obsolete inventories	**(4,648)**	(13,115)
	100,036	57,423

The Group recognized reversal of impairment loss of $5,103,000 (2021: impairment loss of $459,000) for slow-moving and obsolete inventories during the year ended 30 June 2022. The amount has been included in "cost of inventories sold" in the consolidated profit and loss account.

28 Short-term bank deposits and cash and cash equivalents

	2022	2021
	$000	$000
Cash at bank and in hand	**44,024**	902,301
Short-term bank deposits with original maturities of 3 months or less	**341,443**	1,192,583
Cash and cash equivalents per consolidated cash flow statement	**385,467**	2,094,884
Short-term bank deposits with original maturities more than 3 months	**1,755,049**	–
	2,140,516	2,094,884
Maximum exposure to credit risk	**2,138,767**	2,092,899

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

28 Short-term bank deposits and cash and cash equivalents

(continued)

Short-term bank deposits and cash and cash equivalents are denominated in the following currencies:

	2022	2021
	$000	$000
Hong Kong dollars	**2,132,028**	2,008,430
US dollars	**2,954**	77,872
Renminbi	**3,046**	3,677
Others	**2,488**	4,905
	2,140,516	2,094,884

29 Trade and other payables

	2022	2021
	$000	$000
Trade payables (a)	**239,453**	414,085
Other payables and accruals (b)	**723,543**	722,367
	962,996	1,136,452

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

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

The carrying amount of the Group's trade payables are mainly denominated in Hong Kong dollars which accounted for 68% (2021: 54%).

29 Trade and other payables *(continued)*

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

	2022	2021
	$000	$000
Accrued expenses	**423,543**	440,921
Payables for fixed assets	**189,481**	172,060
Receipt in advance	**85,917**	89,553
Customer deposits	**24,602**	19,833
	723,543	722,367

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

30 Contract liabilities

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Contract liabilities – Mobile telecommunications service contracts	**332,394**	**14,455**	**346,849**	304,111	24,640	328,751

Revenue in relation to mobile telecommunications service contracts, which was included in the contract liabilities balance at the beginning of the year amounting to $304 million, was recognized during the year ended 30 June 2022 (2021: $281 million).

(i) Unsatisfied long-term fixed price contracts

	2022	2021
	$000	$000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully satisfied	**2,593,505**	2,937,898

Management expects that 68% (2021: 70%) of the transaction price allocated to the unsatisfied contracts as of 30 June 2022 will be recognized as revenue during the next reporting period. The remaining 32% (2021: 30%) will be recognized as revenue after the year ending 30 June 2023.

(Expressed in Hong Kong dollars)

31 Lease liabilities

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Lease liabilities	**576,299**	**328,522**	**904,821**	546,301	351,465	897,766

Movement of lease liabilities is as follows:

	2022	2021
	$000	$000
At 1 July	**897,766**	962,544
Additions	**667,143**	646,958
Payments for lease liabilities	**(673,946)**	(736,820)
Accretion expenses included in the consolidated profit and loss account (note 8)	**13,934**	24,337
Exchange differences	**(76)**	747
At 30 June	**904,821**	897,766

32 Bank and other borrowings

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Secured bank borrowings	**–**	**66,000**	**66,000**	–	66,000	66,000
Unsecured bank borrowings	**19,128**	**–**	**19,128**	77,189	37,003	114,192
Guaranteed notes (a)	**1,425,684**	**–**	**1,425,684**	–	1,407,768	1,407,768
Total bank and other borrowings	**1,444,812**	**66,000**	**1,510,812**	77,189	1,510,771	1,587,960

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

32 Bank and other borrowings *(continued)*

The maturity of non-current bank and other borrowings are as follows:

	2022	2021
	$000	$000
Between 1 and 2 years	**2,200**	1,444,771
Between 2 and 5 years	**10,885**	9,159
Over 5 years	**52,915**	56,841
	66,000	1,510,771

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	**Level 2**	**Level 3**	**Total**
	$000	**$000**	**$000**	**$000**
At 30 June 2022				
Secured bank borrowings	**–**	**66,000**	**–**	**66,000**
Total	**–**	**66,000**	**–**	**66,000**

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
At 30 June 2021				
Secured bank borrowings	–	66,000	–	66,000
Unsecured bank borrowings	–	35,914	–	35,914
Guaranteed notes	1,461,846	–	–	1,461,846
Total	1,461,846	101,914	–	1,563,760

At 30 June 2022, 96% (2021: 96%) of the Group's bank and other borrowings are denominated in US dollars and 4% (2021: 4%) are denominated in Hong Kong dollars.

At 30 June 2022, secured bank borrowings are secured by certain buildings of the Group (note 16) (2021: same).

33 Spectrum utilization fee liabilities

	2022 $000	2021 $000
At 1 July	**929,874**	455,693
Additions	**2,217,034**	572,528
Accretion expenses included in consolidated profit and loss account (note 8)	**57,809**	21,508
Payment	**(252,682)**	(119,855)
At 30 June	**2,952,035**	929,874
Less: spectrum utilization fee liabilities included under current liabilities	**(217,609)**	(102,912)
Non-current portion	**2,734,426**	826,962

Analysis of the present value of spectrum utilization fee liabilities:

	2022 $000	2021 $000
Minimum annual fees payable		
Within 1 year	**219,636**	104,881
After 1 year but within 5 years	**933,503**	283,479
Over 5 years	**2,329,764**	712,934
	3,482,903	1,101,294
Less: future finance charges	**(530,868)**	(171,420)
Present value of spectrum utilization fee liabilities	**2,952,035**	929,874
Comprising:		
Within 1 year	**217,609**	102,912
After 1 year but within 5 years	**870,436**	262,613
Over 5 years	**1,863,990**	564,349
	2,952,035	929,874

34 Asset retirement obligations

	2022	2021
	$000	$000
At 1 July	**67,374**	49,938
Additions	**15,036**	21,702
Accretion expenses included in consolidated profit and loss account (note 8)	**502**	545
Utilizations	**(7,202)**	(4,811)
At 30 June	**75,710**	67,374

The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing property, plant and equipment when they are no longer used and restoring the sites and stores on which they are located.

The Group has been investing in the transmission and distribution network to supply mobile services to customers in Hong Kong and Macau. As the Group expects that transmission sites being used for the transmission and distribution network will continue to be used to supply mobile services to its customers, the Group currently considers it remote that the transmission and distribution network in railways and various tunnels would be removed from existing transmission sites. Therefore in accordance with applicable accounting standards, asset retirement obligations for these assets have not been recognized by the Group.

35 Share capital

	Notes	Shares of $0.1 each	$000
Authorized			
At 30 June 2021 and 30 June 2022		**2,000,000,000**	**200,000**
Issued and fully paid			
At 1 July 2020		1,122,275,101	112,227
Repurchase of shares	(a)	(11,286,500)	(1,128)
At 30 June 2021 and 1 July 2021		**1,110,988,601**	**111,099**
Repurchase of shares	(a)	**(5,196,500)**	**(520)**
At 30 June 2022		**1,105,792,101**	**110,579**

35 Share capital *(continued)*

(a) During the year ended 30 June 2022, the Company repurchased and cancelled 5,196,500 shares on the SEHK. The Company repurchased 168,000 shares in June 2022 to be cancelled after 30 June 2022. The total amount paid to acquire the 5,196,500 cancelled shares and the 168,000 repurchased shares of $22,360,000 was deducted from equity attributable to shareholders.

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

During the year ended 30 June 2021, the Company repurchased and cancelled 11,286,500 shares on the SEHK. The total amount paid to acquire these cancelled shares of $47,328,000 was deducted from equity attributable to shareholders.

Month of repurchase	Number of shares repurchased and cancelled	Price per share Highest	Price per share Lowest	Aggregate price paid $000
September 2020	3,074,500	$4.22	$4.17	12,915
October 2020	1,367,000	$4.20	$4.17	5,730
November 2020	4,425,500	$4.24	$4.15	18,562
December 2020	1,241,000	$4.23	$4.13	5,198
January 2021	1,178,500	$4.19	$4.15	4,923
	11,286,500			47,328

36 Share award scheme and share option scheme

(a) Share award scheme

Pursuant to the terms of the share award scheme adopted by the Company on 29 June 2018, the Company may grant shares to the participants, including directors and employees of the Group. The details of the terms of the share award scheme are disclosed under the section "Share award scheme" in the Report of the Directors. Below is a summary of the share award issued.

(i) Movements in share award

	2022	2021
Number of awarded shares		
Outstanding at 1 July	**1,409,680**	3,424,340
Vested	**(789,570)**	(1,552,420)
Lapsed	**(202,305)**	(462,240)
Outstanding at 30 June	**417,805**	1,409,680

(ii) Shares held for share award scheme

	Number of shares	$000
Opening balance at 1 July 2020	32,842	155
Acquisition of shares by the Trust	1,540,000	6,785
Shares utilized under share award scheme	(1,552,420)	(6,842)
Balance at 30 June 2021 and 1 July 2021	**20,422**	**98**
Acquisition of shares by the Trust	**820,000**	**3,563**
Shares utilized under share award scheme	**(789,570)**	**(3,435)**
Balance at 30 June 2022	**50,852**	**226**

(b) Share option scheme

Pursuant to the terms of the share option scheme adopted by the Company on 2 November 2021, 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 scheme are disclosed under the section "Share option scheme" in the Report of the Directors.

No share options were granted, exercised or lapsed during the years ended 30 June 2022 and 2021. No share option was outstanding at 30 June 2022 (2021: Nil).

37 A reconciliation of liabilities arising from financing activities

	Bank borrowings $000	Guaranteed notes $000	Lease liabilities $000	Total $000
At 1 July 2020	400,485	1,401,819	962,544	2,764,848
Repayment of bank borrowings	(222,783)	–	–	(222,783)
Additions of lease liabilities	–	–	646,958	646,958
Payment for lease liabilities	–	–	(736,820)	(736,820)
Finance costs	2,490	5,949	24,337	32,776
Exchange differences	–	–	747	747
At 30 June 2021 and 1 July 2021	**180,192**	**1,407,768**	**897,766**	**2,485,726**
Repayment of bank borrowings	**(96,425)**	**–**	**–**	**(96,425)**
Additions of lease liabilities	**–**	**–**	**667,143**	**667,143**
Payment for lease liabilities	**–**	**–**	**(673,946)**	**(673,946)**
Finance costs	**1,361**	**17,916**	**13,934**	**33,211**
Exchange differences	**–**	**–**	**(76)**	**(76)**
At 30 June 2022	**85,128**	**1,425,684**	**904,821**	**2,415,633**

38 Acquisition of non-controlling interests

On 4 April 2022, the Group acquired the remaining 28% of the issued shares in SmarTone-Comunicações Móveis, S.A. at a consideration of $8.8 million.

The transactions have been accounted for as equity transactions with the non-controlling interests as follows:

	2022 $000	2021 $000
Carrying amount of non-controlling interests acquired	**(22,109)**	–
Consideration paid to non-controlling interests	**(8,797)**	–
Excess of consideration paid recognized in retained earnings	**(30,906)**	–

There were no transactions with non-controlling interests during the year ended 30 June 2021.

39 Commitments and contingent liabilities

(a) Capital commitments

	2022 $000	2021 $000
Fixed assets		
Contracted for	**78,668**	84,520

39 Commitments and contingent liabilities *(continued)*

(b) Contingent liabilities

	2022 **$000**	2021 $000
Performance guarantees	**751,383**	2,388,884
Financial guarantees	**10,387**	11,766
	761,770	2,400,650

40 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 69.02% of the Company's shares as at 30 June 2022. The remaining 30.98% of the shares are widely held, of which 3.90% is held by another subsidiary of Sun Hung Kai Properties Limited ("SHKP"). The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

(a) During the 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.

	2022 **$000**	2021 $000
Rentals for land and buildings and transmission sites (i)	**22,956**	22,427
Depreciation and accretion expenses for land and buildings and transmission sites (i)	**96,303**	103,503
Insurance expense (ii)	**3,294**	3,889
Mobile coverage services (iii)	**7,522**	14,787
Enterprise solutions (iv)	**57,176**	37,166

(i) Leases of 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 licenses 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 2022, rental and license fees paid and payable to subsidiaries and associated companies of SHKP totalled $22,956,000 (2021: $22,427,000).

For the year ended 30 June 2022, depreciation and accretion expenses totalled $96,303,000 (2021: $103,503,000).

(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 2022, insurance premiums paid and payable were $3,294,000 (2021: $3,889,000).

40 Related party transactions *(continued)*

(a) *(continued)*

(iii) Mobile coverage services

The Group provides technical services for the properties owned or managed by certain subsidiaries and associated companies of SHKP for enhancement of mobile coverage in the properties. For the year ended 30 June 2022, the revenue received or receivable by the Group were $7,522,000 (2021: $14,787,000).

(iv) Enterprise solutions

The Group provides information and communication technology ("ICT") solutions to certain subsidiaries and associated companies of SHKP covering, among others, business digitalization, connectivity and industry-specific solutions. For the year ended 30 June 2022, the revenue received or receivable were $57,176,000 (2021: $37,166,000).

(b) At 30 June 2022, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP.

(c) Key management compensation

No transaction has been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel remuneration) as disclosed in Note 42. The compensation paid or payable to key management (including directors and senior management) for the year ended 30 June 2021 amounted to $25,923,000.

(d) The 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:

	2022 **$000**	2021 $000
Trade receivables (note 25)	**41,469**	27,001
Other receivables (note 25)	**476**	–
Deposits and prepayments (note 25)	**21,892**	21,992
Trade payables (note 29)	**1,390**	706
Other payables and accruals (note 29)	**5,905**	4,081

The balances are unsecured, interest-free, repayable on similar terms to those offered to unrelated parties.

41 Balance sheet and reserve movement of the Company

	2022 $000	2021 $000
Non-current asset		
Investments in subsidiaries	**8,406,600**	8,408,680
Current assets		
Prepayments	**353**	399
Amounts due from subsidiaries	**31,245**	35,599
Cash and cash equivalents	**305**	299
Total current assets	**31,903**	36,297
Current liabilities		
Amounts due to subsidiaries	**5,561,067**	5,211,844
Other payables and accruals	**3,093**	2,977
Current income tax liabilities	**195**	72
Total current liabilities	**5,564,355**	5,214,893
Net assets	**2,874,148**	3,230,084
Capital and reserves		
Share capital	**110,579**	111,099
Reserves (Note (a))	**2,763,569**	3,118,985
Total equity attributable to the Company's shareholders	**2,874,148**	3,230,084

The balance sheet of the Company was approved by the Board of Directors on 2 September 2022 and was signed on its behalf.

Kwok Ping-luen, Raymond
Director

Tam Lok-man, Norman
Director

41 Balance sheet and reserve movement of the Company *(continued)*

Note (a): Reserve movement of the Company

	Company					
	Share premium $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Retained profits $000	Total $000
1 July 2020	1,627,190	15,818	740,186	18,339	1,089,172	3,490,705
Comprehensive income						
Profit for the year	–	–	–	–	1,209	1,209
Transactions with owners						
Share-based payments	–	–	–	8,461	–	8,461
Lapse of share option	–	–	–	(7,530)	7,530	–
Lapse of share award	–	–	–	(2,169)	2,169	–
Vesting of share award	–	–	6,842	(11,059)	4,217	–
Repurchase of shares (note 35(a))	–	1,128	–	–	(47,328)	(46,200)
Purchase of shares for share award scheme	–	–	(6,785)	–	–	(6,785)
Payment of 2020 final dividend	–	–	–	–	(167,312)	(167,312)
Payment of 2021 interim dividend	–	–	–	–	(161,093)	(161,093)
At 30 June 2021 and 1 July 2021	**1,627,190**	**16,946**	**740,243**	**6,042**	**728,564**	**3,118,985**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**556**	**556**
Transactions with owners						
Share-based payments	**–**	**–**	**–**	**2,284**	**–**	**2,284**
Lapse of share award	**–**	**–**	**–**	**(976)**	**976**	**–**
Vesting of share award	**–**	**–**	**3,435**	**(5,646)**	**2,211**	**–**
Repurchase of shares (note 35(a))	**–**	**520**	**–**	**–**	**(22,360)**	**(21,840)**
Purchase of shares for share award scheme	**–**	**–**	**(3,563)**	**–**	**–**	**(3,563)**
Payment of 2021 final dividend	**–**	**–**	**–**	**–**	**(172,203)**	**(172,203)**
Payment of 2022 interim dividend	**–**	**–**	**–**	**–**	**(160,650)**	**(160,650)**
At 30 June 2022	**1,627,190**	**17,466**	**740,115**	**1,704**	**377,094**	**2,763,569**

42 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

	2022								2021
	Fees $000	Salaries and allowances $000	Bonuses $000	Retirement scheme contributions $000	Estimated money value of other benefits $000	Retirement benefits $000	Share-based payments $000	Total $000	Total $000
Executive Directors									
Mr. Fung Yuk-lun, Allen	162	–	–	–	–	–	–	162	162
Mr. Tam Lok-man, Norman(1)	90	3,140	–	83	47	–	–	3,360	–
Mr. Chau Kam-kun, Stephen	144	6,061	1,500	606	135	–	53	8,499	7,057
Ms. Anna Yip(2)	–	–	–	–	–	–	–	–	4,318
Mr. Chan Kai-lung, Patrick(3)	–	–	–	–	–	–	–	–	1,852
Non-Executive Directors									
Mr. Kwok Ping-luen, Raymond	180	–	–	–	–	–	–	180	180
Mr. Cheung Wing-yui	162	–	–	–	–	–	–	162	162
Mr. David Norman Prince	144	–	–	–	–	–	–	144	144
Mr. Siu Hon-wah, Thomas	144	–	–	–	–	–	–	144	144
Mr. John Anthony Miller	144	–	–	–	–	–	–	144	144
Dr. Li Ka-cheung, Eric, JP*	288	–	–	–	–	–	–	288	288
Mr. Ng Leung-sing, JP*	288	–	–	–	–	–	–	288	288
Mr. Gan Fock-kin, Eric*	288	–	–	–	–	–	–	288	288
Mrs. Ip Yeung See-ming, Christine*	144	–	–	–	–	–	–	144	144
Mr. Lam Kwok-fung, Kenny*	144	–	–	–	–	–	–	144	144
Mr. Lee Yau-tat, Samuel*	144	–	–	–	–	–	–	144	33
Mr. Peter Kung*(4)	42	–	–	–	–	–	–	42	–
	2,508	9,201	1,500	689	182	–	53	14,133	15,348
2021	2,306	8,961	2,300	747	134	275	625		

* Independent Non-Executive Director
(1) Appointed on 15 November 2021
(2) Resigned with effect from 17 August 2020
(3) Retired with effect from 29 August 2020
(4) Appointed on 14 March 2022

42 Benefits and interests of directors *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

During the years ended 30 June 2022 and 2021, no director:

- received any emoluments from 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 awards under the Company's share award scheme. The details of these benefits in kind are disclosed under the section "Share award scheme" in the Report of the Directors and note 36.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company 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.

43 Ultimate holding company

The directors consider the ultimate holding company at 30 June 2022 to be Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with its shares listed on the main board of SEHK.