

SmarTone Telecommunications Holdings Limited

Stock Code: 0315

INTERIM REPORT 2023/24

**No. 1**

*Consumers'*  
**Best Preferred**

**5G**

**Network\***  
**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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## BUSINESS HIGHLIGHTS

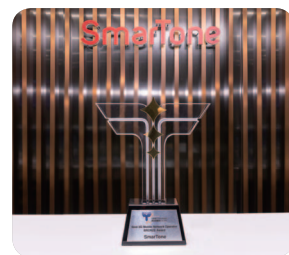
Leveraging new technologies and 5G, we aspire to be our customers' "trusted partner in digital life".

### 1. Technology Leadership

SmarTone's 5G network covers the airport, major ports, all MTR stations, and all 23 road tunnels in Hong Kong. We have further upgraded the existing 5G network that already covers Hong Kong International Airport by adding the **3.5GHz "5G golden frequency band"**. We have also exclusively deployed the 850MHz frequency band within MTR stations and added small cells at various event venues in the city, bringing the best network experience to our customers.



SmarTone's 5G network quality leads the market. In the inaugural "Kantar BrandZ Top 30 Hong Kong Brands" report, SmarTone was the only mobile operator crowned the "Strongest Communications Brand in Hong Kong". Additionally, SmarTone received the "Best 5G Mobile Network Operator" from a credible industry organization.



## BUSINESS HIGHLIGHTS

### 2. Empowering Innovation

SmarTone's enterprise solutions arm, SmarTone Solutions, empowers businesses to integrate emerging technologies that drive digital transformation, pushing Hong Kong's smart city development. SmarTone's SmarTransport Solution was shortlisted in the top 5 of "Best Mobile Innovation for Digital Life" at the internationally acclaimed Global Mobile Awards.



### 3. Customer-Centric Strategy

SmarTone's high-quality services have been widely recognized by the industry and we are the only mobile operator to win two gold awards in the "2023 Service Talent Award" organized by the Hong Kong Retail Management Association.





## BUSINESS HIGHLIGHTS

SmarTone understands that each customer has unique needs and expectations, and we provide tailored products and services based on different customer segments such as families and travelers. We regularly send representatives to popular overseas travel destinations to conduct testing and ensure excellent network performance.



SmarTone Home 5G Broadband successfully redefined the home broadband market and addressed the needs of village houses and Chinese mansion households enduring slow speed narrowband connections. We are the first operator to launch a mobile app for the best user experience at home.



SmarTone has always placed a strong emphasis on network security. We offer a variety of network protection services to our customers, including "Data Guard", "Call Guard", and "Add-On Number", ensuring comprehensive privacy, network, and call security for our customers. Since its launch, "Call Guard" has successfully blocked over 300 million nuisance calls.



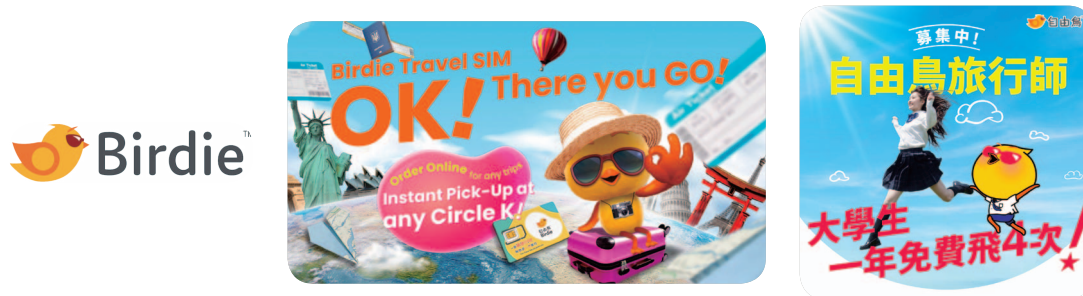
## BUSINESS HIGHLIGHTS

The SmarTone Plus membership program offers superior privileges to customers, including a range of specially curated celebrations, year-round rewards, and remarkable experiences.

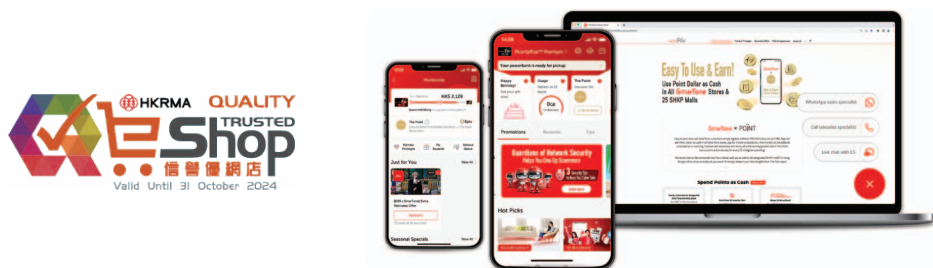


## 4. Digitalization

Our full digital brand “Birdie” actively promoted its youthful brand image and customer loyalty by launching traveler experiential campaign for university’s student, inviting amateur users to share their travel experiences.



SmarTone provides customers with a comprehensive range of services and a high-quality customer experience through its website, mobile application, and WhatsApp hotline. The newly upgraded version of the CARE App features a personalized interface, allowing customers to easily access their account overview and information on rewards and promotions. SmarTone’s online store has also been honored with the “Top 10 Quality Trusted E-Shops” award by the Hong Kong Retail Management Association.



## CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

### Business review

During the period under review, the market experienced strong price competition and a challenging economic environment. Despite this competitive landscape, SmarTone's mobile postpaid Average Revenue Per User (ARPU) and customer base saw an improvement by 1% to \$224 and 2.65 million, respectively. 5G customers now represent 38% of our customer base, with an increase of 5% since December 2022. Service revenue, with the exclusion of Mobile Virtual Network Operator (MVNO), SMS, and prepaid services, rose by 3%. There are clear headwinds as well: aggressive price competition has put pressure on the lower-tier market segments, particularly MVNOs; SMS revenue has also significantly declined as COVID-related messaging went away. For this period, the profit attributable to equity holders amounted to \$246 million.

During the period there was a resurgence in outbound travel resulting in a strong recovery in roaming revenues which grew by 64% year on year. By December, roaming revenue had reached 86% of its pre-pandemic levels, marking a consistent quarter over quarter increase since the resumption of travel. This uptrend was driven by a strong demand for SmarTone's data roaming products among our premium customers. The proportion of SmarTone customers opting for our roaming services over third-party alternatives has more than doubled compared to the period before the pandemic. Our observation indicates that customers are willing to spend on a roaming service that provides reliability, convenience, and quality while traveling. SmarTone remains dedicated to meeting these expectations and will continue to invest to further stimulate growth in this sector.

Since its launch in 2020, SmarTone's 5G Home Broadband service has emerged as a material driver of growth for the Company. It offers an advantageous alternative for households lacking fiber connectivity, providing a faster, more affordable, and convenient service. Additionally, an increasing number of individuals, together with small to medium-sized enterprises (SMEs), are subscribing to this service, as they are attracted by the service's flexibility, ease of installation, and cost-effectiveness.

Throughout the review period, SmarTone's Enterprise Solutions division continued to deliver solid growth. The SmartHome solution was introduced in partnership with the SHKP Group in December 2023. This innovative offering leverages SmarTone's pre-installed estate-wide 5G network, coupled with a smart home platform and an in-wall Wi-Fi 6 network system, to enable homeowners to effortlessly connect devices for an unmatched smart living experience. Looking ahead, we are committed to pioneering new ideas, investing in our platform and product development, and expanding this emerging market in collaboration with the SHKP Group.

Persistently high inflation and a demanding macroeconomic landscape have exerted pressure on operating costs. Although our spectrum costs remain substantial, such expenses have peaked and are expected to gradually decrease moving forward. Management is dedicated to maintaining stable operating expenses by enhancing efficiency and productivity. Upholding a rigorous cost discipline without compromising quality remains a critical strategy for ensuring the Company's enduring resilience and allocation of resources towards future expansion.

SmarTone has solidified its leadership in the premium consumer market, earning widespread recognition for its exceptional network quality, outstanding customer service, and status as a leading brand. In December 2023, the Company was awarded the "Best 5G Mobile Network Operator" by the Communications Association of Hong Kong (CAHK). Additionally, in January 2024, it received the prestigious gold award in the "2023 Service Talent Award", organized by the Hong Kong Retail Management Association (HKRMA), for excellent service performance at both supervisory and junior frontline levels – a unique achievement for a telecommunications service provider in both categories. Moreover, SmarTone's online store was distinguished with the HKRMA's annual "Top 10 Quality Trusted E-Shops" award. These accolades affirm the Company's enduring commitment to excellence and service, underscoring its reputation for delivering superior value to its customers.





## CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

### Dividend

The Board declared an interim dividend of 14.5 cents per share, consistent with last year. With a strong net cash position of \$1 billion, SmarTone stands to benefit from the high interest rate environment.

### Outlook

In the short to medium term, the operating landscape is anticipated to remain challenging, influenced by the intensely competitive mobile sector and sluggish economic conditions. SmarTone's direction is clear with a focus on reinforcing its commitment to unparalleled customer service and outstanding network reliability.

At SmarTone, we have the aspiration to enable our customers to enjoy the benefits of new technologies and digital applications. These days everyone talks about digitization and artificial intelligence (AI), but in reality for the average user, these trends may feel remote and have little relevance to daily lives. This is not surprising — many of our users do not have the expertise to select the most useful applications, and some fear they will be exposed to cyber-security threats if they try new applications. We aspire to bridge that gap. In the coming year, we are excited to roll out a series of initiatives designed to enhance our customers' ability to use their mobile devices more effectively and safely. We will also offer valuable tips and tools aimed at encouraging them to embrace a broader range of technology in their daily lives. This will enhance their productivity, personal enjoyment and privacy, no matter which life stage our customer is at. At the end of the day, we aspire to be more than a network provider — we want to be our customers' "trusted partner in digital life".

SmarTone has invested heavily in building a state-of-the-art 5G network in Hong Kong. We believe this is not just important for our customers, but is also a critical digital infrastructure for Hong Kong to be a technology hub. By general recognition, our 5G network is world-class in terms of speed, coverage and reliability. On top of the network investment, SmarTone pays heavy spectrum fees to the Government. For the past half year alone, the Group paid approximately \$270 million in spectrum fees to the Government; this amount actually exceeded the Group's overall net profit for the period. We appreciate the Financial Secretary's proposal to allow tax deductions for future spectrum costs, yet we disagree with the decision to exclude current spectrum expenses from this proposal, given that spectrum costs represent a critical operational expense vital for maintaining network operations — and historically have been eligible for tax deductions. The absence of tax deductibility on the spectrum held by SmarTone until December 2023 results in a significant fiscal impact, amounting to \$538 million on a cumulative basis. Consequently, SmarTone strongly advocates for the Government to restore tax deductibility to all spectrum costs, ensuring a conducive environment for investment and development.

### Appreciation

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 period.

**Kwok Ping-luen, Raymond**  
*Chairman*

Hong Kong, 22 February 2024

## MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

### Review of financial results

During the period under review, the Group's profit attributable to shareholders was \$246 million (first half of 2022/23: \$256 million).

The total revenue of the Group was \$3,390 million, a drop by 11% as compared to \$3,809 million for the same period last year. The decline was mainly driven by the reduced handset and accessory sales during the period, while the gross profit from these sales was \$17 million, remaining stable when compared with last year. Our total service revenue was down marginally by 1% year-on-year, while our service revenue excluding revenue from prepaid, MVNO and SMS businesses has shown a high level of resilience with a growth of 3% over the period. This was mainly driven by the strong recovery of roaming business together with the continuous growth of our 5G Home Broadband products and enterprise solutions, which has compensated the pressure from the fierce competition landscape in the Hong Kong mobile market.

Cost of services provided for the six months ended 31 December 2023 increased by \$32 million or 15% to \$240 million (first half of 2022/23: \$208 million), which was in line with the corresponding increase in revenue from roaming and enterprise solutions businesses.

The Group has continued to devote significant effort in tightening cost discipline and improving operation efficiency during the period. Accordingly, our staff costs and other operating expenses were reduced by 2% and 3% year-on-year, to \$353 million and \$487 million, respectively.

Depreciation, amortization and loss on disposal decreased by \$7 million or 1% to \$881 million (first half of 2022/23: \$888 million), mainly due to reduced depreciation charges of network equipment given our cautious control over capital expenditure in recent years.

At the back of the Group's strong net cash position, our net finance costs (including accretion expenses on spectrum utilization fee and lease liabilities) was reduced from \$35 million for the first half of 2022/23 to \$16 million in this period, amid the full repayment of a guarantee note of \$1.4 billion during the second half of last financial year.

Income tax expense amounted to \$99 million (first half of 2022/23: \$100 million), reflecting an effective tax rate of 28.7% (first half of 2022/23: 28.1%). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, certain related payments have been treated as non-deductible in calculating the tax provision, which contributes to the Group effective tax rate being 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

### Capital structure, liquidity and financial resources

The Group maintained a strong balance sheet for the period under review. During the period, the Group was mainly financed by share capital and internally generated funds. As at 31 December 2023, the Group had a total equity of \$5,128 million, including share capital and reserves of \$110 million and \$5,018 million, respectively.

The Group's cash resources remained robust with cash and bank balances including short-term bank deposits of \$1,048 million as at 31 December 2023 (30 June 2023: \$1,155 million). Total borrowings of the Group was \$64 million as at 31 December 2023, as compared to \$66 million as at 30 June 2023.

The Group has generated net cash from operating activities of \$848 million during the period ended 31 December 2023. The Group's major outflows of funds during the period were payments for purchase of fixed assets, spectrum utilization fee, leases, taxation and dividends.

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2024 with internal cash resources.

### Treasury policy

The Group invests its surplus funds in accordance with a treasury policy approved 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.

### Charges on assets

The Group's bank borrowings were secured by certain assets of the Group and the carrying amount of the pledged assets amounted to \$64 million as at 31 December 2023 (30 June 2023: \$65 million).

### Interest rate exposure

As at 31 December 2023, the Group's total borrowing of \$64 million is subject to floating interest rate. Management considers the corresponding interest rate exposure will not have any material impact to the Group given the low level of borrowing. 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 and trade payables denominated in United States dollars. The trade payables denominated in United States dollars is partially hedged with our deposits in United States dollars.

## MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

### Contingent liabilities

As at 31 December 2023, the Group provided performance guarantees of \$623 million (30 June 2023: \$623 million).

### Employees, share award scheme and share option scheme

The Group had 1,783 full-time employees as at 31 December 2023 (30 June 2023: 1,830), with the majority of them based in Hong Kong. Total staff costs were \$353 million for the period ended 31 December 2023 (first half of 2022/23: \$361 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 period under review, no unvested shares (30 June 2023: Nil) were outstanding as at 31 December 2023.

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. As at 31 December 2023, 4,000,000 share options were outstanding (30 June 2023: 4,000,000).

## DIRECTORS PROFILE

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

Mr. Raymond Kwok 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 director of The Real Estate Developers Association of Hong Kong.

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

For the financial year ended 30 June 2023, Mr. Kwok received a fee of HK\$180,000. Except the above fee, Mr. Kwok did not receive any other emoluments during the said financial year.

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

Mr. Cheung Wing-yui 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 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 was a non-executive director of Tianjin Development Holdings Limited.

Mr. Cheung is currently a member of the 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.

For the financial year ended 30 June 2023, Mr. Cheung received a fee of HK\$162,000. Except the above fee, Mr. Cheung did not receive any other emoluments during the said financial year.



## DIRECTORS PROFILE

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

Mr. Allen Fung 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, the vice president of The Hong Kong Federation of Youth Groups, and has been elected a Professor of Practice at 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.

For the financial year ended 30 June 2023, Mr. Fung received a fee of HK\$162,000. Except the above fee, Mr. Fung did not receive any other emoluments during the said financial year.

### **LAU Yeuk-hung, Fiona** *Executive Director & Chief Executive Officer*

Ms. Fiona Lau was appointed Executive Director and Chief Executive Officer of the Company in February 2023.

Prior to joining SmarTone, Ms. Lau was an executive director and the chief commercial officer of SUNeVision Holdings Ltd. (“SUNeVision”). Since 2017, she has taken up various sales and business development roles in SUNeVision, spearheading the transformation of the company into a customer-centric organization. Ms. Lau is currently a non-executive director of SUNeVision.

Prior to joining Sun Hung Kai Properties Limited in 2017 and taking up various leadership roles at SUNeVision, Ms. Lau was a director at BlackRock Asset Management (North Asia), where she held a number of senior positions across the chairman’s office, corporate strategy, and retail and private banking functions from 2010 to 2017. Between 2005 and 2010 she worked in McKinsey & Company and held the position of engagement manager.

A graduate of The University of Chicago, Ms. Lau holds a Bachelor of Arts degree in Philosophy.

Ms. Lau is also a director of certain subsidiaries of the Company.

For the period from 15 February 2023 (date of appointment as a director of the Company) to 30 June 2023, Ms. Lau received salaries (including allowances and retirement scheme contributions), share-based payment and director’s fee of HK\$2,174,000, HK\$248,000 and HK\$54,000 respectively.



## DIRECTORS PROFILE

### **CHAU Kam-kun, Stephen** *Executive Director*

Mr. Stephen Chau 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 Electrical Engineering of City University of Hong Kong.

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

For the financial year ended 30 June 2023, Mr. Chau received salaries (including allowances, retirement scheme contributions and estimated money value of other benefits), bonus and director's fee of HK\$7,023,000, HK\$1,800,000 and HK\$144,000 respectively.

## DIRECTORS PROFILE

### David Norman PRINCE *Non-Executive Director*

Mr. David Prince 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 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.

For the financial year ended 30 June 2023, Mr. Prince received a fee of HK\$144,000. Except the above fee, Mr. Prince did not receive any other emoluments during the said financial year.

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

Mr. Thomas Siu 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.

For the financial year ended 30 June 2023, Mr. Siu received a fee of HK\$144,000. Except the above fee, Mr. Siu did not receive any other emoluments during the said financial year.

## DIRECTORS PROFILE

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

Dr. Eric Li, GBS, OBE, JP, LLD, DSocSc., HonDSocSc (EdUHK), B.A., FCPA, 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 10th, 11th, 12th and 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.

For the financial year ended 30 June 2023, Dr. Li received a fee of HK\$288,000 including the fee for acting as the chairman of the Audit Committee of the Company. Except the above fee, Dr. Li did not receive any other emoluments during the said financial year.

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

Mr. Ng Leung-sing 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 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, a director of The Hong Kong Mortgage Corporation Limited from 2014 to 2018 and an independent non-executive director of Hanhua Financial Holding Co., Ltd. from 2013 to 2022.

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.

For the financial year ended 30 June 2023, Mr. Ng received a fee of HK\$288,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Ng did not receive any other emoluments during the said financial year.

## DIRECTORS PROFILE

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

Mr. Eric Gan was appointed Director of the Company in December 2005. Mr. Gan is the Chief Executive Officer of Cybereason Inc., a provider of endpoint detection and response software used to detect anomalous activity on networks and systems.

Mr. Gan was the founder and president of eAccess Ltd., the fourth mobile operator (EMOBILE brand) in Japan which became a wholly-owned subsidiary of SoftBank Corp. in 2013. Mr. Gan was an executive vice president of Softbank Corp. until he joined Cybereason in April 2023.

Mr. Gan was born in Hong Kong and graduated from Imperial College, University of London.

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

For the financial year ended 30 June 2023, Mr. Gan received a fee of HK\$288,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Gan did not receive any other emoluments during the said financial year.

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

Mr. Kenny Lam 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.

For the financial year ended 30 June 2023, Mr. Lam received a fee of HK\$144,000. Except the above fee, Mr. Lam did not receive any other emoluments during the said financial year.





## DIRECTORS PROFILE

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

Mr. Samuel Lee 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.

For the financial year ended 30 June 2023, Mr. Lee received a fee of HK\$144,000. Except the above fee, Mr. Lee did not receive any other emoluments during the said financial year.

### **Peter KUNG** *Independent Non-Executive Director*

Mr. Peter Kung was appointed Director of the Company in March 2022.

Mr. Kung is a member of the 13th and 14th 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. He is also a member of the Chief Executive's Policy Unit Expert Group (Economic Advancement) of the Government of the Hong Kong Special Administrative Region. Mr. Kung has been appointed as a member of the Council of The Chinese University of Hong Kong with effect from 14 December 2023.

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

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

For the financial year ended 30 June 2023, Mr. Kung received a fee of HK\$144,000. Except the above fee, Mr. Kung did not receive any other emoluments during the said financial year.

## DIRECTORS PROFILE

### **Notes:**

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

No service contracts have been signed between the Company and the Directors (except Ms. Lau Yeuk-hung, Fiona 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.

Ms. Lau Yeuk-hung, Fiona, Executive Director, entered into an agreement with the Group for her serving as an Executive Director and the Chief Executive Officer of the Company, with no fixed term of service. Ms. Lau is entitled to a basic salary which is subject to review by the Board from time to time with reference to her responsibility and performance. She is also entitled to a discretionary performance bonus, the computation of which is based on her performance and contributions to the Group. Ms. Lau'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. Ms. Lau 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 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 31 December 2023 are disclosed in the "Directors' and chief executive's interests" section on pages 47 to 50 of this Interim Report.

# STAFF ENGAGEMENT

## 1. Grooming Talents

We provide our employees with diverse training and career development opportunities, including cross-departmental exchanges, skills training, and lunchtime learning sessions. Together, these foster the full realization of individuals' potential and professional capabilities for comprehensive development.



## 2. Caring for Staff

We promote work-life balance and create a relaxed working environment. We organize a series of holiday celebrations and health-related activities, allowing employees to make the most of their free time and pursue personal interests.



# COMMUNITY INITIATIVES

## 1. Green 5G Network

SmarTone has successfully improved its energy efficiency by deploying the latest technologies in its mobile network. By modernizing base station hardware and software, we achieved a 25% energy efficiency improvement. Additionally, SmarTone utilized an AI-based solution to dynamically adjust power consumption based on the traffic pattern, resulting in a further 11% energy efficiency gain without compromising network performance. These combined efforts have led to an impressive overall energy efficiency improvement of 36%, demonstrating SmarTone's commitment to sustainability and minimizing energy consumption.

### New Equipment



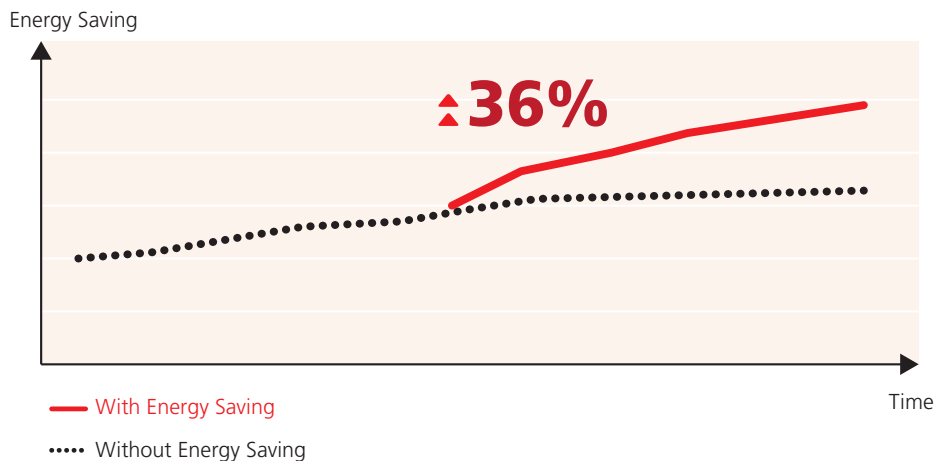
Energy Efficiency  
**▲ 25%**

### Traffic Forecasting & Power Adjustment



Energy Efficiency  
**▲ 11%**

### Overall Network Energy Saving



## COMMUNITY INITIATIVES

### 2. Raising Awareness of Cybersecurity

SmarTone has always placed great importance on network security, striving to protect our customers. We have introduced Hong Kong's first "Staff Verification Code" to further protecting customers and minimizing the risk associated with phone scams.

SmarTone safeguards customers comprehensively. We also actively provide up-to-date anti-scam tips through the "5 Tips for Security", regularly reminding customers to stay vigilant and enhance their awareness of network security. This helps them identify and respond to increasingly sophisticated fraudulent messages, calls, and links, staying safe amid the rising number of fraud cases.





## COMMUNITY INITIATIVES

### 3. Caring for the Community

Through collaborations with social welfare organizations such as Gingko House and Hong Kong Sheng Kung Hui Lok Man Kwok Fung Hin Integrated Service Center, we organize various community activities. These include the SMART Elderly Academy, Autumn Warm Meals Distribution, and Elderly-Friendly Mobile Consultation Station.



In recent times, Hong Kong has experienced severe black rainstorms. In support of affected residents in Shek O, SmarTone provided free Home 5G Broadband routers and services to local users.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF  
SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 24 to 46, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2023 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 22 February 2024

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Notes	Unaudited six months ended 31 December	
		2023 \$000	2022 \$000
Service revenue and other related service		<b>2,303,463</b>	2,333,030
Handset and accessory sales		<b>1,087,032</b>	1,475,981
Revenues	4	<b>3,390,495</b>	3,809,011
Cost of inventories sold		<b>(1,069,686)</b>	(1,457,910)
Cost of services provided		<b>(239,811)</b>	(207,803)
Staff costs		<b>(352,678)</b>	(360,871)
Other operating expenses, net	7	<b>(487,141)</b>	(503,362)
Depreciation, amortization and loss on disposal	7	<b>(880,344)</b>	(887,692)
Operating profit		<b>360,835</b>	391,373
Finance income	5	<b>35,071</b>	41,968
Finance costs	6	<b>(51,365)</b>	(77,376)
Profit before income tax	7	<b>344,541</b>	355,965
Income tax expense	8	<b>(98,749)</b>	(100,133)
Profit after income tax		<b>245,792</b>	255,832
Profit attributable to Company's shareholders		<b>245,792</b>	255,832
Earnings per share for profit attributable to Company's shareholders during the period (expressed in cents per share)	10		
Basic		<b>22.2</b>	23.1
Diluted		<b>22.2</b>	23.1

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Unaudited six months ended	
	31 December	2022
	2023	2022
	\$000	\$000
Profit for the period	<b>245,792</b>	255,832
Other comprehensive income/(loss)		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	<b>164</b>	(664)
Item that will not be reclassified subsequently to profit and loss:		
Fair value gain/(loss) on financial asset at fair value through other comprehensive income	<b>2,147</b>	(8,221)
Other comprehensive income/(loss) for the period	<b>2,311</b>	(8,885)
Total comprehensive income for the period attributable to Company's shareholders	<b>248,103</b>	246,947

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

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2023 and 30 June 2023  
(Expressed in Hong Kong dollars)

		<b>Unaudited</b>	Audited
		<b>31 December</b>	30 June
		<b>2023</b>	2023
	Notes	<b>\$000</b>	\$000
<b>Non-current assets</b>			
Fixed assets	12	<b>2,898,385</b>	2,925,297
Customer acquisition costs		<b>96,637</b>	101,702
Contract assets		<b>27,205</b>	32,241
Right-of-use assets		<b>746,921</b>	764,873
Interest in an associate		<b>3</b>	3
Financial asset at fair value through other comprehensive income		<b>9,438</b>	7,291
Financial assets at amortized cost		–	147,832
Intangible assets	13	<b>4,194,743</b>	4,431,409
Deposits and prepayments		<b>94,307</b>	79,326
Deferred income tax assets		<b>5,064</b>	6,447
<b>Total non-current assets</b>		<b>8,072,703</b>	8,496,421
<b>Current assets</b>			
Cash and cash equivalents		<b>1,047,761</b>	1,155,152
Contract assets		<b>100,163</b>	93,287
Trade receivables	14	<b>459,826</b>	351,339
Deposits and prepayments		<b>237,023</b>	252,548
Other receivables		<b>92,537</b>	62,565
Financial assets at amortized cost		<b>129,260</b>	21,749
Inventories		<b>197,708</b>	106,333
Tax reserve certificate		<b>384,709</b>	359,549
<b>Total current assets</b>		<b>2,648,987</b>	2,402,522
<b>Current liabilities</b>			
Trade payables	15	<b>310,710</b>	317,302
Other payables and accruals		<b>602,241</b>	660,926
Contract liabilities		<b>393,252</b>	357,568
Lease liabilities		<b>487,882</b>	532,088
Current income tax liabilities		<b>570,204</b>	611,198
Bank borrowings	16	<b>2,200</b>	2,200
Spectrum utilization fee liabilities		<b>225,623</b>	222,922
<b>Total current liabilities</b>		<b>2,592,112</b>	2,704,204

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2023 and 30 June 2023  
(Expressed in Hong Kong dollars)

		<b>Unaudited</b>	Audited
		<b>31 December</b>	30 June
		<b>2023</b>	2023
	Notes	<b>\$000</b>	\$000
<b>Non-current liabilities</b>			
Asset retirement obligations		<b>64,285</b>	63,309
Contract liabilities		<b>9,246</b>	6,940
Lease liabilities		<b>263,152</b>	254,906
Bank borrowings	16	<b>61,600</b>	63,800
Spectrum utilization fee liabilities		<b>2,448,797</b>	2,578,218
Deferred income tax liabilities		<b>154,317</b>	143,079
Total non-current liabilities		<b>3,001,397</b>	3,110,252
<b>Net assets</b>		<b>5,128,181</b>	5,084,487
<b>Capital and reserves</b>			
Share capital	17	<b>110,348</b>	110,646
Reserves		<b>5,017,833</b>	4,973,841
<b>Total equity</b>		<b>5,128,181</b>	5,084,487

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2023	2022
	\$000	\$000
<b>Cash flows from operating activities</b>	<b>999,892</b>	1,251,181
Income tax paid	(127,127)	(8,669)
(Purchase)/redemption of tax reserve certificate	(25,159)	2,500
<b>Net cash inflow from operating activities</b>	<b>847,606</b>	1,245,012
<b>Cash flows from investing activities</b>		
Payment for purchase of fixed assets	(315,988)	(344,459)
Payment of spectrum utilization fee	(159,821)	(156,024)
Decrease in short-term deposits	–	159,033
Proceeds from early redemption of financial assets at amortized cost	36,835	–
Other investing activities	36,454	24,078
<b>Net cash outflow from investing activities</b>	<b>(402,520)</b>	(317,372)
<b>Cash flows from financing activities</b>		
Payment for repurchase of shares	(12,038)	(1,463)
Repayment of bank borrowings	(2,200)	(9,614)
Principal elements of lease payments	(345,127)	(314,916)
Dividends paid to the Company's shareholders	(193,117)	(171,325)
<b>Net cash outflow from financing activities</b>	<b>(552,482)</b>	(497,318)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(107,396)</b>	430,322
<b>Effect of foreign exchange rate change</b>	<b>5</b>	(139)
<b>Cash and cash equivalents at 1 July</b>	<b>1,155,152</b>	385,467
<b>Cash and cash equivalents at 31 December</b>	<b>1,047,761</b>	815,650

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Unaudited 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
At 1 July 2022	110,579	1,640,986	14,296	17,466	926	1,705	(1,475)	3,369,301	5,153,784
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	-	-	255,832	255,832
Other comprehensive loss									
Fair value loss on financial asset at fair value through other comprehensive income	-	-	(8,221)	-	-	-	-	-	(8,221)
Currency translation differences	-	-	-	-	-	-	(664)	-	(664)
Total comprehensive income for the period ended 31 December 2022	-	-	(8,221)	-	-	-	(664)	255,832	246,947
<b>Transactions with owners</b>									
Share-based payments	-	-	-	-	-	1,733	-	-	1,733
Lapse of share award	-	-	-	-	-	(105)	-	105	-
Repurchase of shares	(53)	-	-	53	-	-	-	(1,463)	(1,463)
Payment of 2022 final dividend	-	-	-	-	-	-	-	(171,325)	(171,325)
Total transactions with owners	(53)	-	-	53	-	1,628	-	(172,683)	(171,055)
At 31 December 2022	110,526	1,640,986	6,075	17,519	926	3,333	(2,139)	3,452,450	5,229,676

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2023  
(Expressed in Hong Kong dollars)

	Unaudited Attributable to the Company's shareholders								
	Share Capital	Share premium	Revaluation reserve	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Exchange reserve	Retained profits	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2023	110,646	1,647,004	5,393	17,519	1,127	248	(2,613)	3,305,163	5,084,487
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	-	-	245,792	245,792
Other comprehensive income									
Fair value gain on financial asset at fair value through other comprehensive income	-	-	2,147	-	-	-	-	-	2,147
Currency translation differences	-	-	-	-	-	-	164	-	164
Total comprehensive income for the period ended 31 December 2023	-	-	2,147	-	-	-	164	245,792	248,103
<b>Transactions with owners</b>									
Share-based payments	-	-	-	-	-	746	-	-	746
Repurchase of shares (note 17(a))	(298)	-	-	298	-	-	-	(12,038)	(12,038)
Payment of 2023 final dividend	-	-	-	-	-	-	-	(193,117)	(193,117)
Total transactions with owners	(298)	-	-	298	-	746	-	(205,155)	(204,409)
At 31 December 2023	110,348	1,647,004	7,540	17,817	1,127	994	(2,449)	3,345,800	5,128,181

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) are presented in Hong Kong dollars, unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 22 February 2024.

## 2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2023 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”. These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). These Interim 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, and on a going concern basis.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2023, as described in those annual financial statements except for the adoption of the amendments to standards as set out below.

### (a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting commencing 1 July 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Account Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts

The adoption of these amendments to standards has no significant impact on these Interim Financial Statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 2 Basis of preparation *(continued)*

### (b) Amendments to standards and interpretations to existing standards not yet adopted

Certain amendments to standards and interpretations to existing standards have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the Group.

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current <sup>1</sup>
HKAS 1 (Amendments)	Non-current Liabilities with Covenants <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback <sup>1</sup>
HK-Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement <sup>1</sup>
HKAS 21 (Amendments)	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> The original effective date of 1 January 2016 has been postponed until further announcement.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

## 3 Financial risk management and financial instruments

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2023.

There have been no changes in any risk management policies since year end.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 3 Financial risk management and financial instruments *(continued)*

#### (b) Fair value estimation

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognized at fair value at 31 December 2023 and 30 June 2023.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Assets</b>				
Financial asset at fair value through other comprehensive income				
<b>At 31 December 2023 (Unaudited)</b>	–	<b>9,438</b>	–	<b>9,438</b>
At 30 June 2023 (Audited)	–	7,291	–	7,291

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

**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.

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.

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 4 Segment reporting

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

The CODM 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.

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

#### (a) Segment results

	Unaudited six months ended 31 December 2023			
	Hong Kong \$000	Macau \$000	Elimination \$000	Consolidated \$000
External revenue	3,357,982	32,513	–	3,390,495
Inter-segment revenue	11,380	1,857	(13,237)	–
<b>Total revenue</b>	<b>3,369,362</b>	<b>34,370</b>	<b>(13,237)</b>	<b>3,390,495</b>
Timing of revenue recognition				
At a point in time	1,086,855	11,189	(11,012)	1,087,032
Over time	2,282,507	23,181	(2,225)	2,303,463
	<b>3,369,362</b>	<b>34,370</b>	<b>(13,237)</b>	<b>3,390,495</b>
EBITDA	1,248,888	(7,709)	–	1,241,179
Depreciation, amortization and loss on disposal	(875,466)	(4,878)	–	(880,344)
<b>Operating profit/(loss)</b>	<b>373,422</b>	<b>(12,587)</b>	<b>–</b>	<b>360,835</b>
Finance income				35,071
Finance costs				(51,365)
<b>Profit before income tax</b>				<b>344,541</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 4 Segment reporting *(continued)*

#### (a) Segment results *(continued)*

	Unaudited six months ended 31 December 2022			
	Hong Kong \$000	Macau \$000	Elimination \$000	Consolidated \$000
External revenue	3,643,851	165,160	–	3,809,011
Inter-segment revenue	143,947	1,667	(145,614)	–
<b>Total revenue</b>	<b>3,787,798</b>	<b>166,827</b>	<b>(145,614)</b>	<b>3,809,011</b>
Timing of revenue recognition				
At a point in time	1,473,371	145,999	(143,389)	1,475,981
Over time	2,314,427	20,828	(2,225)	2,333,030
	<b>3,787,798</b>	<b>166,827</b>	<b>(145,614)</b>	<b>3,809,011</b>
EBITDA	1,288,856	(9,791)	–	1,279,065
Depreciation, amortization and loss on disposal	(882,749)	(4,943)	–	(887,692)
<b>Operating profit/(loss)</b>	<b>406,107</b>	<b>(14,734)</b>	<b>–</b>	<b>391,373</b>
Finance income				41,968
Finance costs				(77,376)
<b>Profit before income tax</b>				<b>355,965</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 4 Segment reporting *(continued)*

#### (b) Segment assets/(liabilities)

	At 31 December 2023 (Unaudited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$000
Segment assets	10,094,302	98,914	528,474	10,721,690
Segment liabilities	(4,765,742)	(103,246)	(724,521)	(5,593,509)
	At 30 June 2023 (Audited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$000
Segment assets	10,255,416	100,656	542,871	10,898,943
Segment liabilities	(4,955,384)	(104,795)	(754,277)	(5,814,456)

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment results.

### 5 Finance income

	Unaudited six months ended	
	31 December 2023 \$000	2022 \$000
Interest income from bank deposits	31,109	31,894
Interest income from financial assets at amortized cost	3,962	10,074
	35,071	41,968

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 6 Finance costs

	Unaudited six months ended	
	31 December	
	2023	2022
	\$000	\$000
Interest expense on bank and other borrowings	1,185	30,398
Accretion expenses		
Spectrum utilization fee liabilities	33,101	34,946
Lease liabilities	13,731	7,594
Asset retirement obligations	933	436
Net exchange loss on financing activities (note 9)	37	4,002
Loss on early redemption of financial assets at amortized cost	2,378	–
	<b>51,365</b>	<b>77,376</b>

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 period.

### 7 Profit before income tax

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

	Unaudited six months ended	
	31 December	
	2023	2022
	\$000	\$000
Other operating expenses, net		
– Network costs	288,324	284,531
– Short-term and low-value leases	15,081	16,931
– Impairment loss of trade receivables (note 14)	1,846	1,552
– Net exchange gain (note 9)	(1,238)	(2,741)
– Others	183,128	203,089
Loss on disposal of fixed assets	7,296	2,798
Depreciation of fixed assets	264,083	270,975
Depreciation of right-of-use assets	327,477	334,473
Amortization of spectrum utilization fee	236,666	236,666
Amortization of customer acquisition costs	44,822	42,780
Share-based payments	746	1,733

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 8 Income tax expense

	Unaudited six months ended 31 December	
	2023	2022
	\$000	\$000
Current income tax		
Hong Kong profits tax	<b>84,658</b>	84,655
Non-Hong Kong tax	<b>974</b>	888
Under/(over)-provision in prior years		
Hong Kong profits tax	<b>496</b>	(6,139)
Total current income tax expense	<b>86,128</b>	79,404
Deferred income tax expense	<b>12,621</b>	20,729
Income tax expense	<b>98,749</b>	100,133

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

### 9 Net exchange (gain)/loss

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

	Unaudited six months ended 31 December	
	2023	2022
	\$000	\$000
Other operating expenses, net (note 7)	<b>(1,238)</b>	(2,741)
Finance costs (note 6)	<b>37</b>	4,002
	<b>(1,201)</b>	1,261

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 10 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 period and excluding shares held for share award scheme.

	Unaudited six months ended	
	31 December	2022
	<b>2023</b>	2022
	<b>Cents</b>	Cents
Basic earnings per share attributable to Company's shareholders	<b>22.2</b>	23.1

### (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.

	Unaudited six months ended	
	31 December	2022
	<b>2023</b>	2022
	<b>Cents</b>	Cents
Diluted earnings per share attributable to Company's shareholders	<b>22.2</b>	23.1

	Unaudited six months ended	
	31 December	2022
	<b>2023</b>	2022
	<b>\$000</b>	\$000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	<b>245,792</b>	255,832



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 10 Earnings per share *(continued)*

### (c) Weighted average number of shares used as the denominator

	Unaudited six months ended 31 December	
	2023	2022
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	<b>1,104,918,857</b>	1,105,412,303
Adjustments for calculation of diluted earnings per share:		
Effect of awarded shares	<b>4,320</b>	50,852
Effect of share options	–	23,246
	<hr/>	<hr/>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<b>1,104,923,177</b>	1,105,486,401

## 11 Dividends

### (a) In respect of the period

	Unaudited six months ended 31 December	
	2023	2022
	\$000	\$000
Interim dividend declared of 14.5 cents (2022: 14.5 cents) per fully paid share	<b>160,004</b>	160,437

At a meeting held on 22 February 2024, the directors declared an interim dividend of 14.5 cents per fully paid share for the year ending 30 June 2024. The interim dividend declared is not reflected as a dividend payable in these Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2024.

The interim dividend declared is calculated based on the number of shares in issue at the date of approval of these Interim Financial Statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 11 Dividends *(continued)*

#### (b) Attributable to prior year paid in the period

	Unaudited six months ended	
	31 December	
	<b>2023</b>	2022
	<b>\$000</b>	\$000
Final dividend of 17.5 cents (2022: 15.5 cents) per fully paid share	<b>193,117</b>	171,325

### 12 Fixed assets

	Unaudited \$000
Opening net book amount at 1 July 2023	<b>2,925,297</b>
Additions	<b>244,982</b>
Disposals	<b>(7,923)</b>
Exchange differences	<b>112</b>
Depreciation	<b>(264,083)</b>
<b>Closing net book amount at 31 December 2023</b>	<b>2,898,385</b>
Opening net book amount at 1 July 2022	2,736,212
Additions	334,083
Disposals	(3,384)
Exchange differences	(476)
Depreciation	(270,975)
Closing net book amount at 31 December 2022	2,795,460

During the six months ended 31 December 2023, major fixed assets acquired by the Group included network and testing equipment, including network under construction amounting to \$192,491,000 (2022: \$224,527,000).

At 31 December 2023, buildings with carrying amount of \$64,210,000 (30 June 2023: \$65,429,000) were pledged as security for bank borrowings of the Group (note 16).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 13 Intangible assets

	Unaudited
	Spectrum utilization fee \$000
Opening net book amount at 1 July 2023	<b>4,431,409</b>
Amortization	<b>(236,666)</b>
<b>Closing net book amount at 31 December 2023</b>	<b>4,194,743</b>
Opening net book amount at 1 July 2022	4,904,742
Amortization	(236,666)
<b>Closing net book amount at 31 December 2022</b>	<b>4,668,076</b>

### 14 Trade receivables

	Unaudited 31 December 2023 \$000	Audited 30 June 2023 \$000
Trade receivables	<b>466,073</b>	357,629
Less: loss allowance	<b>(6,247)</b>	(6,290)
	<b>459,826</b>	351,339

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 14 Trade receivables *(continued)*

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

	<b>Unaudited 31 December 2023 \$000</b>	Audited 30 June 2023 \$000
Current to 30 days	<b>360,439</b>	280,536
31–60 days	<b>35,081</b>	16,490
61–90 days	<b>12,640</b>	7,005
Over 90 days	<b>51,666</b>	47,308
	<b>459,826</b>	351,339

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 \$1,846,000 (2022: \$1,552,000) for the impairment of its trade receivables during the six months ended 31 December 2023.

### 15 Trade payables

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

	<b>Unaudited 31 December 2023 \$000</b>	Audited 30 June 2023 \$000
Current to 30 days	<b>156,798</b>	193,061
31–60 days	<b>50,893</b>	59,838
61–90 days	<b>31,077</b>	26,589
Over 90 days	<b>71,942</b>	37,814
	<b>310,710</b>	317,302

### 16 Bank borrowings

	Unaudited 31 December 2023			Audited 30 June 2023		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Secured bank borrowings	<b>2,200</b>	<b>61,600</b>	<b>63,800</b>	2,200	63,800	66,000

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 16 Bank borrowings *(continued)*

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 value 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 period end date for similar borrowings is as follows:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>At 31 December 2023</b>				
Secured bank borrowings	–	61,600	–	61,600
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2023				
Secured bank borrowings	–	63,800	–	63,800

At 31 December 2023, secured bank borrowings are secured by certain buildings of the Group (note 12) (30 June 2023: same).

### 17 Share capital

	Unaudited	
	Shares of \$0.1 each	\$000
Authorized		
At 1 July 2022, 30 June 2023, 1 July 2023 and 31 December 2023	2,000,000,000	200,000
Issued and fully paid		
At 1 July 2023	1,106,464,601	110,646
Repurchase of shares (a)	(2,988,000)	(298)
<b>At 31 December 2023</b>	<b>1,103,476,601</b>	<b>110,348</b>
At 1 July 2022		
Repurchase of shares	1,105,792,101 (527,500)	110,579 (53)
At 31 December 2022	1,105,264,601	110,526

(a) During the six months ended 31 December 2023, the Company repurchased and cancelled 2,988,000 shares on the SEHK. The amount paid to acquire these cancelled shares of \$12,038,000 was deducted from equity attributable to equity holders.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

### 18 Share option scheme

#### (a) Movements in share options

	Unaudited	
	Average exercise price per share	Numbers of share options
At 30 June 2023 and 31 December 2023	<b>\$4.96</b>	<b>4,000,000</b>

At 31 December 2023, 4,000,000 share options were exercisable with average exercise price of \$4.96 per share.

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

			<b>Unaudited 31 December 2023</b>	Audited 30 June 2023
Date of grant	Exercise period	Exercise price per share	<b>Number of share options</b>	Number of share options
21 April 2023	21 April 2024 to 20 April 2028	\$4.96	<b>4,000,000</b>	4,000,000

#### (c) Details of share options exercised

No share options were exercised during the six months ended 31 December 2023 and 2022.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

## 19 Commitments and contingent liabilities

### (a) Capital commitments

	<b>Unaudited</b> <b>31 December</b> <b>2023</b> <b>\$000</b>	Audited 30 June 2023 \$000
Fixed assets		
Contracted for	<b>83,741</b>	80,289

### (b) Contingent liabilities

	<b>Unaudited</b> <b>31 December</b> <b>2023</b> <b>\$000</b>	Audited 30 June 2023 \$000
Performance guarantees	<b>622,500</b>	622,500

## 20 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 69.16% of the Company's shares as at 31 December 2023. The remaining 30.84% of the shares are widely held, of which 3.91% 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.

During the six months ended 31 December 2023, the Group had transactions with certain fellow subsidiaries and associates of SHKP in the ordinary course of business. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions. These transactions are not significant to the Group's Interim Financial Statements.

## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

### Interim dividend

The Directors declared an interim dividend of 14.5 cents per share for the six months ended 31 December 2023 (2022: 14.5 cents). The interim dividend will be paid in cash on or about Monday, 18 March 2024 to shareholders whose names appear on the Register of Members of the Company on Thursday, 7 March 2024.

### Closure of register of members

The record date for entitlement to the interim dividend is Thursday, 7 March 2024. For determining the entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Thursday, 7 March 2024 during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 6 March 2024.

### Directors' and chief executive's interests

As at 31 December 2023, 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 ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("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 C3 to the Rules Governing the Listing of Securities on SEHK (the "Listing Rules"), to be notified to the Company and SEHK, were as follows:

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	5,162,337 <sup>1</sup>	5,162,337	–	5,162,337	0.47
Fung Yuk-lun, Allen	437,359	–	437,359	–	437,359	0.04
Lau Yeuk-hung, Fiona	–	–	–	4,000,000 <sup>2</sup> (Personal interests in share options)	4,000,000	0.36
Chau Kam-kun, Stephen	146,000	11,000 <sup>3</sup>	157,000	–	157,000	0.01

## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

### Notes:

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

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

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	188,743	562,111,186 <sup>1</sup> 1,580,000 <sup>2</sup>	563,879,929	–	563,879,929	19.46
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 <sup>3</sup>	7,000	–	7,000	0.00
Li Ka-cheung, Eric	–	4,028 <sup>4</sup>	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.

## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	3,485,000 <sup>1</sup>	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	4,000,000	–	4,000,000	8,000,000 <sup>2</sup>	12,000,000	0.51
Lau Yuek-hung, Fiona	–	–	–	4,700,000 <sup>2</sup>	4,700,000	0.20
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:

Name of Director	Date of grant	Exercise price \$	Exercise period*	Number of share options				
				Outstanding at 1 July 2023	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2023
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
Lau Yeuk-hung, Fiona	22 May 2019	6.688	22 May 2020 to 21 May 2024	1,000,000	–	–	–	1,000,000
	5 May 2021	7.982	5 May 2022 to 4 May 2026	2,500,000	–	–	–	2,500,000
	12 January 2023	4.514	12 January 2024 to 11 January 2028	1,200,000	–	–	–	1,200,000

- \* 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.

## OTHER INFORMATION

(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:**

<b>Name of associated corporation</b>	<b>Actual shares held through corporation</b>	<b>Actual % of interests in issued voting shares</b>
Hung Carom Company Limited	25 <sup>1</sup>	25.00
Tinyau Company Limited	1 <sup>1</sup>	50.00
Open Step Limited	8 <sup>1</sup>	80.00
Vivid Synergy Limited	963,536,900 <sup>1</sup>	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 31 December 2023, 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 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 SEHK pursuant to the Model Code.

## Share option scheme

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 share option scheme (the "Share Option Scheme") of the Company. The Share Option Scheme became effective on 4 November 2021 following the grant of a listing approval by SEHK and the passing of an ordinary resolution by the shareholders of SHKP, the Company's holding company, at the annual general meeting of SHKP to approve the adoption of the Share Option Scheme.

## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Movements of the share options granted to the participants pursuant to the Share Option Scheme during the six months ended 31 December 2023 were as follows:

Grantee	Date of grant	Exercise price \$	Exercise period	Number of share options					Outstanding at 31 December 2023
				Outstanding at 1 July 2023	Granted during the period	Exercised during the period	Canceled during the period	Lapsed during the period	
<b>Director</b>									
Lau Yeuk-hung, Fiona	21 April 2023	4.964	21 April 2024 to 20 April 2028 <sup>1</sup>	4,000,000	-	-	-	-	4,000,000

**Note:**

- The share options 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. Any unexercised share options shall lapse after the fifth anniversary of the date of grant.

Other than the share options stated above, no share options had been granted by the Company to other participants pursuant to the Share Option Scheme. Save as disclosed above, no other share options were granted, exercised, canceled or lapsed during the period.

The number of share options available for grant under the scheme mandate of the Share Option Scheme was 105,898,860 on both 1 July 2023 and 31 December 2023.

## Share award scheme

A share award scheme (the "Share Award Scheme") was adopted by the Board on 29 June 2018 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, 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. The shares will be transferred to the selected employees upon vesting. The selected employees are not required to pay any purchase price for the transfer of the vested shares. No new shares of the Company will be issued under the Share Award Scheme.

As of 1 July 2023, there were no unvested award shares, and no award shares were granted, vested, canceled or lapsed under the Share Award Scheme during the six months ended 31 December 2023.

The number of award shares available for grant under the scheme mandate of the Share Award Scheme was 107,171,217 on both 1 July 2023 and 31 December 2023.

## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

### Interests of substantial shareholder

As at 31 December 2023, 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") <sup>1</sup>	806,362,555	73.07%
HSBC Trustee (C.I.) Limited ("HSBCCI") <sup>2</sup>	807,292,867	73.16%

**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 the 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 31 December 2023, 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.

## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

### Purchase, sale or redemption of shares

During the six months ended 31 December 2023, the Company repurchased 2,988,000 shares of the Company on SEHK. These repurchased shares were cancelled prior to 31 December 2023. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid
		Highest	Lowest	
		\$	\$	\$
September 2023	1,923,500	4.10	3.98	7,801,000
October 2023	1,014,500	4.06	3.92	4,040,000
November 2023	50,000	3.94	3.92	197,000
	2,988,000			12,038,000

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, at no time during the six months ended 31 December 2023 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

### Review of interim results

An Audit Committee has been established by the Company to provide advice and recommendations to the Board. The chairman of the Committee is Dr. Li Ka-cheung, Eric (with professional accounting expertise) and the other members are Mr. Ng Leung-sing, Mr. Gan Fock-kin, Eric and Mr. Peter Kung. 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 held a meeting on 16 February 2024 and reviewed the interim financial statements of the Group for the six months ended 31 December 2023 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 disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the risk management and internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2023 have not been audited but have been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information disclosed in this interim report complies with the disclosure requirements of Appendix D2 to the Listing Rules.



## OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

### Corporate governance

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2023, the Company has applied the principles and complied with the requirements set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules, except for the following deviations:

Code Provision C.1.6 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Code Provision F.2.2 of the CG Code also provides that the chairman of the board should attend the annual general meeting. Mr. Kwok Ping-luen, Raymond, Non-Executive Director and Chairman of the Board, and Mr. Gan Fock-kin, Eric, Independent Non-Executive Director, were unable to attend the annual general meeting of the Company held on 31 October 2023 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 80% 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.

### Compliance with model code for securities transactions by Directors

The Group adopted the Model Code set out in Appendix C3 to the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon specific enquiry, each Director had confirmed that during the six months ended 31 December 2023, they had fully complied with the required standard set out in the Model Code and there was no event of non-compliance.

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

Hong Kong, 22 February 2024

*As at the date of this report, the Executive Directors of the Company are Mr. FUNG Yuk-lun, Allen (Deputy Chairman), Ms. LAU Yeuk-hung, Fiona (Chief Executive Officer) and Mr. CHAU Kam-kun, Stephen; Non-Executive Directors are Mr. KWOK Ping-luen, Raymond (Chairman), Mr. CHEUNG Wing-yui (Deputy Chairman), Mr. David Norman PRINCE and Mr. SIU Hon-wah, Thomas; Independent Non-Executive Directors are Dr. LI Ka-cheung, Eric, JP, Mr. NG Leung-sing, JP, Mr. GAN Fock-kin, Eric, Mr. LAM Kwok-fung, Kenny, Mr. LEE Yau-tat, Samuel and Mr. Peter KUNG.*