

Smartone Telecommunications Holdings Limited

Stock Code: 0315

ANNUAL REPORT 2025/26

No. 1
Consumers'
Best
Preferred
5G
Network*
Smartone

Consumers' No.1 Best Preferred 5G Network is based on results obtained from study conducted by market research company NuanceTree, as commissioned by Smartone. 3,942 post-paid SIM card users were interviewed via online survey and street interviews between Jan and Dec 2022.

ABOUT US

SmarTone Telecommunications Holdings Limited (0315.HK), listed in Hong Kong since 1996 and a subsidiary of Sun Hung Kai Properties Limited (0016.HK).

SmarTone is a leading mobile communications provider in Hong Kong, offering territory-wide and superior 5G services, which are instrumental in driving the region's 5G development. In 2020, SmarTone was the first company in Hong Kong to introduce the groundbreaking 5G home broadband services, distinguished by its no-wiring and no-installation propositions, which have garnered the largest market share and widespread popularity among consumers. SmarTone also offers cutting-edge IoT solutions tailored for enterprises, driving digital transformation and propelling the smart city development in Hong Kong.

SmarTone has established itself as the Consumers' No.1 Best Preferred 5G Network*, with its commitment to delivering exceptional network experience, customer-centric products and services, a proactive approach to innovation and a profound understanding of customer needs. It has also been recognized by an independent global research and consulting firm as the only mobile communications provider to be ranked among the top ten brands in Hong Kong^.

SmarTone operates over 30 retail stores in Hong Kong and has 5 key sub-brands to cater to diverse market needs. Through leveraging innovative business strategies, SmarTone is leading the industry development in Hong Kong.

* Based on results obtained from study conducted by market research company NuanceTree, as commissioned by SmarTone. 3,942 post-paid SIM card users were interviewed via online survey and street interviews between January and December 2022.

^ Based on Kantar BrandZ Top 30 Strongest Brands in Hong Kong 2024.

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DIRECTORS AND CORPORATE INFORMATION

Board of Directors

- * Mr. KWOK Ping-luen, Raymond
Chairman
- * Mr. CHEUNG Wing-yui
Deputy Chairman
- Mr. FUNG Yuk-lun, Allen
Deputy Chairman
- Ms. LAU Yeuk-hung, Fiona
Chief Executive Officer
- Mr. CHAU Kam-kun, Stephen
- * Mr. David Norman PRINCE
- * Mr. SIU Hon-wah, Thomas
- * Dr. POON Sun-cheong, Patrick
- * Mr. WONG Hong-kit
- ** 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
- ** Mr. Peter KUNG

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

Company Secretary

Mr. MAK Yau-hing, Alvin

Authorized Representatives

Ms. LAU Yeuk-hung, Fiona
Mr. MAK Yau-hing, Alvin

Registered Office

Richmond House, 12 Par-la-Ville Road
Hamilton HM 08, Bermuda

Head Office and Principal Place of Business

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

Auditors

PricewaterhouseCoopers
Certified Public Accountants and Registered
Public Interest Entity Auditor
22nd Floor, Prince's Building
10 Chater Road, Hong Kong

Hong Kong Share Registrar

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

Principal Share Registrar

Appleby Global Corporate Services (Bermuda) Limited
Canon's Court, 22 Victoria Street
PO Box HM 1179, Hamilton HM EX
Bermuda

Principal Bankers

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

Legal Advisors to the Company

As to Hong Kong law
Woo Kwan Lee & Lo

As to Bermuda law
Conyers Dill & Pearman

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited
Richmond House, 12 Par-la-Ville Road
Hamilton HM 08, Bermuda

FINANCIAL HIGHLIGHTS

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

	Year ended or as at 30 June		
	2026	2025	Change
Consolidated profit and loss account			
Revenues	6,604	6,253	6%
Profit attributable to Company's shareholders	525	479	10%
Basic earnings per share (\$)	0.48	0.44	10%
Total dividends per share (\$)	0.32	0.32	–
Consolidated balance sheet			
Total assets	11,319	11,308	–
Current liabilities	(2,969)	(2,974)	–
Total assets less current liabilities	8,350	8,334	–
Non-current liabilities	(2,872)	(3,029)	(5%)
Net assets	5,478	5,305	3%
Share capital	110	110	–
Reserves	5,368	5,195	3%
Total equity attributable to the Company's shareholders	5,478	5,305	3%
Consolidated cash flows			
Net cash inflow from operating activities	2,229	2,133	5%
Interest received	73	71	3%
Payment for purchase of fixed assets	(556)	(597)	(7%)
Proceeds from early redemption of financial assets at amortized cost	–	11	(100%)
Proceeds from redemption of financial assets at amortized cost	–	63	(100%)
Payment of spectrum utilization fee	(261)	(244)	7%
Dividends paid	(352)	(353)	–
Repayment of bank borrowings (net)	(5)	(2)	116%
Principal elements of lease payments	(570)	(626)	(9%)
Payment for repurchase of shares	–	(5)	(100%)
Others	6	–	N/A
Net increase in cash and cash equivalents	564	451	25%

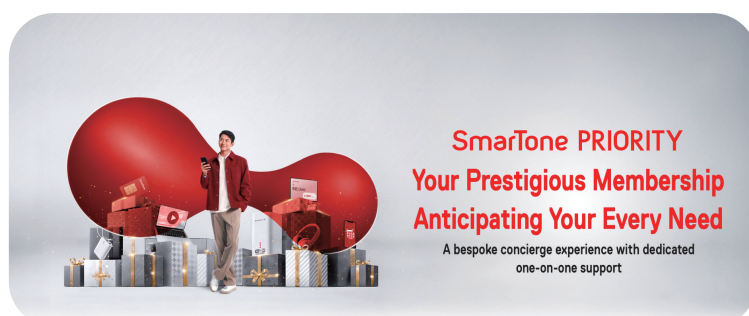
BUSINESS HIGHLIGHTS

Empowering everyday life and business through connectivity and technology to deliver tangible value.

1. Deepening Customer Relationships Through an Expanding Service Ecosystem

As customer expectations continue to evolve, SmarTone is strengthening its role beyond traditional connectivity through a broader ecosystem of services that supports customers at different stages of life.

During the year, the Company enhanced its premium customer proposition through SmarTone PRIORITY, introducing more personalised services, dedicated relationship managers and curated travel privileges designed around customers' evolving digital and lifestyle needs.



Simultaneously, SmarTone continued to grow its family-oriented ecosystem via solutions covering home connectivity, children's digital well-being, and support for seniors. Collectively, these efforts extend customer engagement beyond mobile services, strengthen long-term customer relationships, and reinforce SmarTone's position as a trusted partner for premium digital experiences and family solutions.



BUSINESS HIGHLIGHTS

2. Developing New Growth Platforms

As lifestyles become increasingly connected across homes, cities and borders, SmarTone continues to diversify its business by developing growth platforms beyond traditional mobile services.

During the year, Home 5G Broadband evolved into a broader digital lifestyle proposition through the integration of entertainment, communications and AI-enabled services, while strategic partnerships further extended the reach of these services.

The Company also strengthened its engagement with emerging customer segments, including newcomers from the Chinese Mainland and international travellers, through tailored services designed around evolving mobility and connectivity needs.



In parallel, new AI-related initiatives expanded the range of digital experiences available to customers. Together, these developments broaden SmarTone's service ecosystem, create additional customer touchpoints and support sustainable growth driven by changing consumer behaviours.



AI Plan



AI Smart Lifestyle



AI Connect

BUSINESS HIGHLIGHTS

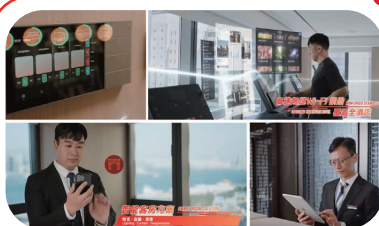
3. Empowering Digital Transformation Through Innovation

SmarTone Solutions leverages 5G, AI and IoT technologies to help enterprises enhance operational efficiency, improve customer experience and develop innovative services. Through industry-specific solutions and strategic partnerships, we continue to support Hong Kong's development as a smart and connected city.

During the year, we expanded our portfolio of smart solutions and strengthened partnerships to broaden the application of digital technologies. In healthcare, SmarTone Solutions supported Gleneagles Hong Kong's telemedicine services through the launch of the TeleCare SmartHub at YOHO Midtown, showcasing how our 5G and digital capabilities can enable new service models and drive innovation across sectors.



Technical Enabler of TeleCare SmartHub



Connectivity Backbone & Intelligent Guest Room Experience for Bauhinia Hotel



Smart Monitoring at Pui O Raw Water Pumping Station

SmarTone continues to support Hong Kong's position as a mega-event hub by delivering advanced connectivity and smart solutions for major sports and cultural initiatives. During the year, SmarTone Solutions served as the official network partner for the Asian Film Awards and HKWALLS Street Art Festival.



BUSINESS HIGHLIGHTS

4. Advancing Network Leadership for the Future

SmarTone offers an exceptional network experience powered by its territory-wide 5G-Advanced network. Tailored specifically around the key places and moments where connectivity matters most to users, we utilise 5G-Advanced, network slicing, and SmarTone PRIORITY to provide over three times the dedicated network resources, delivering fast, stable, and reliable performance even in the busiest settings.

We continue to reinforce Hong Kong's digital infrastructure through targeted network investments. During the year, we extended our 5G coverage across major transport hubs and strategic developments, including 24 MTR stations, Kai Tak Sports Park, Terminal 2 and the Third Runway at Hong Kong International Airport, and the Hong Kong-Shenzhen Innovation and Technology Park.

Supported by AI-enabled network operations and 24/7 AI Quality Assurance, our network continuously monitors and optimises performance. This enhances reliability and efficiency, improves the overall customer experience, and lays the foundation for future AI-native networks.



**Fireworks over
Victoria Harbour**



**Hong Kong
Coliseum**



**Victoria Park
Lunar New Year Fair**



**Kai Tak
Main Stadium**

Our strategic collaboration with SHKP delivers comprehensive 5G-Advanced coverage at flagship residential and commercial developments. Supported by SmartConnect 5G Wi-Fi and 5G smart IoT technologies, we enable seamless, connected living and working experiences across Hong Kong.

**International Gateway Centre
West Kowloon**



**GO PARK and SIERRA SEA
Sai Sha**



YOHO WEST



CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Business review

Against an intensely competitive mobile market, SmarTone's profit attributable to equity holders increased 10% to \$525 million. Revenue increased to \$6,604 million and underlying EBIT to \$749 million, being 6% and 7% higher than the prior year respectively on an underlying basis. The business continued to diversify its sources of revenue and contribution. 5G Home Broadband revenue increased 10%, while Enterprise Solutions revenue grew 17%.

But these numbers mask the severity of the challenges we face. Competition in our core consumer postpaid market remained particularly intense. Granted that we see growth in 5G Home Broadband and Enterprise Solutions revenues, but our total service revenue still declined by 3% as compared to the previous year. ARPU for our postpaid mobile business is also down from \$222 a year ago to \$220 by end of this financial year. Six years after launching 5G in 2020, our current 5G subscriber penetration rate is still only 50%, leaving significant room for improvement. These are all clear indicators that we need to take actions to substantially strengthen our business.

In times of severe competition and eroding ARPU, the Company will focus on initiatives that deliver the most value to our subscribers. We have built a world-class network for our customers, and we will continue to launch initiatives that enhance our customers' lives in this digital and AI world. The Company is also focused on optimizing our operational efficiency and cost control. We have already used various AI tools to improve productivity. Our operating cost in the past year came down by 6% to \$1,518 million, and there are a lot more opportunities to further improve without impacting quality. As we have already invested heavily in building a robust 5G network in previous years, our capex is starting to come down, and in the past year capex was 21% lower than the previous year. Our capex will likely go down further in the coming years as we focus on optimizing the existing network for performance and efficiency.

Delivering the best network experience in Hong Kong

The SmarTone experience is anchored in the fact that we provide a great network and deliver the best connectivity experience to our customers. Following the renewal of our exclusive 850MHz spectrum and the acquisition of new 6/7GHz spectrum, we deployed the so-called "Golden Spectrum" in the 3.3GHz and 3.5GHz bands across high-density urban districts and transport hubs, materially raising capacity and download speeds where demand is greatest. We have the most spectrum capacity per subscriber amongst all mobile operators in Hong Kong, which gives us an inherent advantage to serve our customers. It allows us to provide fast and consistent voice and data services in peak periods and in crowded areas.

We design the network around the moments when its performance matters most. This principle guided our investment during the year across major MTR stations, Kai Tak Sports Park, the Hong Kong Coliseum and other high-traffic locations, and in emerging destinations such as GO PARK and the Northern Metropolis. In particular, our connectivity at MTR stations is exceptionally strong and consistent, as we invest disproportionate resources to ensure the best customer experience. We are also conscious that AI has changed customer behaviour. Our subscribers now use their phones a lot more to interact with AI apps, from searching for information, asking for health advice to identifying investment opportunities. They also use "uplink" more as they often upload pictures to ask AI models specific questions. We are optimizing our network precisely to address such changes in behaviour.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Deepening loyalty and capturing emerging segments

In a saturated and highly competitive market, strengthening the relationship with loyal, higher-value customers remains a priority. During the year, we piloted "SmarTone Priority", a flagship membership programme for our top customers. At the same time, we continued to expand into customer segments with attractive long-term potential, particularly students, young professionals and talents arriving from Chinese Mainland. We have developed propositions and customer journeys around their specific needs and buying preferences.

AI is becoming an increasingly important part of our customer proposition. We have launched a major new service called "AI Connect", which allows subscribers to use almost any app without geographical restrictions. It is much easier to use than the traditional VPN, and much safer to use from a security point of view. We have also launched services such as personal AI consultations and dedicated specialized AI hubs within stores to help educate our customers on how to use AI. The continued focus on customer service was recognised with nine awards at the 40th Hong Kong Retail Management Association Service Talent Awards.

Driving enterprise growth through industry solutions

As enterprises accelerate their digital transformation, we have deepened our position as a trusted technology partner delivering integrated connectivity, cloud, cybersecurity and digital solutions with SmartHome, SmartMall, SmartHotel, Smart Property Management, Smart Construction and SmartTransport. We have received positive feedback from our customers and from external organizations. Our SmartHome proposition received the Best Smart Home Customer Experience Award at the Network X Awards, while our enterprise products and services were recognised in PC Market's Best of IT Awards. These awards provide recognition of the progress being made in developing relevant solutions for both residential and business customers.

We also continued to work closely with SHKP to leverage the Group's ecosystem to access new customers and serve existing customers better. Across developments including International Gateway Centre, Cullinan Harbour, GO PARK, Sierra Sea and YOHO West, we have incorporated SmartConnect 5G Wi-Fi and smart IoT capabilities into these developments from the outset. This enables connectivity and digital services to form part of the customer experience by design, rather than being added subsequently.

Dividend

The Board has proposed a final dividend of 17.5 cents per share, bringing the full-year dividend to 32 cents per share, same as last financial year.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Outlook

Looking ahead, the market is likely to remain highly competitive in the near future. For the long-term health and sustainability of the Company, it is imperative for us to reverse the decline of our total services revenue. It is equally important for us to halt the erosion of ARPU. We will address these challenges by further listening to our customers' needs, and offering services and value-add that our customers treasure.

We take pride in the fact we have a built first-rate network in Hong Kong, for Hong Kong. In the last twelve months Hong Kong has seen a rapid ramp-up of AI usage, but what is often forgotten is that AI is actually heavily dependent on the mobile network to function. We believe our network is a critical backbone for Hong Kong's future technology development. We are committed to further enhancing and investing in our network to ensure our customers fully enjoy the benefits of digitization and AI.

SmarTone is part of the SHKP Group and we believe there is high potential for SmarTone to further leverage the Group's customers and resources. The Group has a highly successful "The Point" loyalty program which has more than 3 million members, and it also has strong B2C businesses like shopping malls, hotels, supermarket (Yata), residential leasing, property management and also residential sales. SmarTone will work together with other businesses within the Group to deliver superior services to our customers, and to attract new customers to the SHKP Group community.

Appreciation

I would like to extend my heartfelt gratitude to our customers and shareholders for their support and trust, and to my fellow directors for their continued guidance. To our staff, I offer my sincere thanks for their unwavering commitment, professionalism and hard work, which are the cornerstone of our success.

Kwok Ping-luen, Raymond

Chairman

Hong Kong, 3 September 2026

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

During the year under review, the Group's profit attributable to shareholders was \$525 million (2024/25: \$479 million), representing a 10% increase over last year.

The Group's total revenue was \$6,604 million, a 6% increase from \$6,253 million for last financial year. This growth was primarily driven by higher handset and accessory sales.

The Group has continued to rigorously enhance cost control measures and operational efficiency during the year. Consequently, our staff costs and other operating expenses were reduced by 8% and 4% year-on-year, to \$659 million and \$859 million, respectively.

Depreciation, amortization, and loss on disposal decreased by \$56 million or 3%, resulting in a total of \$1,637 million (2024/25: \$1,693 million). This reduction is primarily attributable to lower depreciation charges on fixed assets due to our cautious capital expenditure management and reduced depreciation charges on right-of-use assets following rental negotiations in recent years.

Finance income was \$76 million, increased by \$6 million or 8% year-on-year, reflecting the strong cash position of the Group. Finance cost primarily represented accretion expenses on spectrum utilization fees, lease liabilities and asset retirement obligation. It has decreased by \$4 million or 4% year-on-year, amid the reduction of accretion expenses on spectrum utilization fees.

Income tax expense amounted to \$200 million (2024/25: \$189 million), reflecting an effective tax rate of 27.6% (2024/25: 28.3%). 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. As a result, the Group's effective tax rate was higher than the applicable standard tax rate. The Group will continue to vigorously defend its position and pursue tax deduction of the spectrum utilization fee from the Inland Revenue Department. As at 30 June 2026, the Group's current income tax liabilities of \$820 million (30 June 2025: \$740 million) included a provision of \$697 million (30 June 2025: \$633 million) which has been made on the assumption that all spectrum utilization fee payments were not tax deductible. At the same time, tax reserve certificates of \$424 million (30 June 2025: \$399 million) have been purchased by the Group in this regard.

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 year under review. During the year, the Group was mainly financed by share capital and internally generated funds. As at 30 June 2026, the Group had a total equity of \$5,478 million (30 June 2025: \$5,305 million), including share capital and reserves of \$110 million (30 June 2025: \$110 million) and \$5,368 million (30 June 2025: \$5,195 million), respectively.

The Group's cash resources remained robust with cash and bank balances including short-term bank deposits of \$2,592 million as at 30 June 2026, increased by \$564 million or 28% when compared with the position as at 30 June 2025. Total borrowings of the Group was \$57 million as at 30 June 2026, as compared to \$62 million as at 30 June 2025.

The Group has generated net cash from operating activities of \$2,229 million during the year (2024/25: \$2,133 million). The Group's major outflows of funds during the year were payments for purchase of fixed assets, spectrum utilization fee, leases and dividends. The Group maintains a strong and healthy cash flow as a result of refined cost control, cautious capital expenditure as well as stringent fund management.

The Group will continue to fund its capital expenditures and working capital requirements for next financial year 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 maintains banking facilities under which performance bonds and letters of credit are issued by banks in support of its business operations and contractual obligations.

Charges on assets

The Group's bank borrowings were secured by certain assets of the Group with carrying amount of \$58 million as at 30 June 2026 (30 June 2025: \$61 million).

Interest rate exposure

As at 30 June 2026, the Group's total borrowing of \$57 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)

Guarantees

As at 30 June 2026, the Group provided performance guarantees of \$645 million (30 June 2025: \$718 million) in the course of normal business operation.

Employees, share award scheme and share option scheme

The Group had 1,507 full-time employees as at 30 June 2026 (30 June 2025: 1,656), with the majority of them based in Hong Kong. Total staff costs were \$659 million for the year ended 30 June 2026 (2024/25: \$715 million).

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

A share award scheme was adopted by the Group as an incentive arrangement to recognize the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. During the year under review, no unvested shares (30 June 2025: Nil) were outstanding as at 30 June 2026.

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 30 June 2026, 4,000,000 share options were outstanding (30 June 2025: 4,000,000).

CORPORATE GOVERNANCE REPORT

Corporate Governance

The Company is committed to building and maintaining high standards of corporate governance. Throughout the year ended 30 June 2026, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the following deviation:

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. Mr. Lam Kwok-fung, Kenny, Independent Non-Executive Director, was unable to attend the annual general meeting of the Company held on 4 November 2025 due to other prior engagements. The remaining ten Independent Non-Executive Directors and Non-Executive Directors (representing 91% of all independent non-executive and non-executive members of the Board at the time) attended the said meeting in person or through electronic means to listen to the views expressed by the shareholders.

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

The Board

Roles of Directors

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

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

Corporate governance function

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

CORPORATE GOVERNANCE REPORT

Composition

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

As at 30 June 2026, the Board comprises three Executive Directors, six Non-Executive Directors and six Independent Non-Executive Directors. The names of the Directors are listed below:

Directors	Length of Tenure (Approximately) (Year)	Current Period of Appointment ¹ (Approximately) (Year)
Executive Directors		
Mr. Fung Yuk-lun, Allen (<i>Deputy Chairman</i>)	12.7	3
Ms. Lau Yeuk-hung, Fiona (<i>Chief Executive Officer</i>)	3.5	1
Mr. Chau Kam-kun, Stephen	11.4	2
Non-Executive Directors		
Mr. Kwok Ping-luen, Raymond (<i>Chairman</i>)	29.8	1
Mr. Cheung Wing-yui (<i>Deputy Chairman</i>)	23.4	2
Mr. David Norman Prince	21.2	2
Mr. Siu Hon-wah, Thomas	18.1	1
Dr. Poon Sun-cheong, Patrick	2.3	2
Mr. Wong Hong-kit ²	0.8	N/A
Independent Non-Executive Directors		
Dr. Li Ka-cheung, Eric	29.8	1
Mr. Ng Leung-sing	29.2	3
Mr. Gan Fock-kin, Eric	20.8	2
Mr. Lam Kwok-fung, Kenny	9.5	3
Mr. Lee Yau-tat, Samuel	5.3	2
Mr. Peter Kung	4.4	1

Notes:

1. "Current Period of Appointment" refers to the period commenced from the annual general meeting, in which a Director's respective re-election was approved by the Shareholders.
2. Mr. Wong Hong-kit was appointed as a Non-Executive Director of the Company with effect from 28 November 2025. Mr. Wong obtained legal advice on 27 November 2025 from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to The Stock Exchange of Hong Kong Limited. Mr. Wong has confirmed he understood his obligations as a director of a listed issuer.

The presence of twelve non-executive members of the Board, six of whom are independent, is considered by the Board as a reasonable balance between executive and non-executive members.

CORPORATE GOVERNANCE REPORT

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

Except for those relationships disclosed in the biographical details of the Directors set out on pages 95 to 103 of this Annual Report, the Directors have no other financial, business, family or other material or relevant relationships with each other.

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

- (a) The scope of services for which Mr. Kung has been providing under the Consultancy and the monthly consultancy fee payable to Mr. Kung thereunder are immaterial whether to SHKP Group or the Company and its subsidiaries (the "SmarTone Group");
- (b) Mr. Kung has advised that the monthly consultancy fee payable to him under the Consultancy is and will not be material to both his personal wealth and current income;
- (c) Mr. Kung has had no executive role in any member of the SHKP Group or the SmarTone Group. His role under the Consultancy is merely advisory and does not amount to performing any management or executive function;
- (d) Mr. Kung has confirmed that he met all other independence guidelines for independent non-executive directors as set out in Rule 3.13 of the Listing Rules; and
- (e) Mr. Kung has confirmed that, during his term as Independent Non-Executive Director of the Company, he will not provide any services under the Consultancy which may relate to any affairs of the SmarTone Group and will not take part as China Tax Adviser under the Consultancy in any discussions which may involve any affairs relating to the SmarTone Group.

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

As at 30 June 2026, six of the fifteen members of the Board are Independent Non-Executive Directors. In addition, all the members of the Audit Committee and the majority of the members of the Remuneration Committee and the Nomination Committee of the Company are Independent Non-Executive Directors. Each of these committees is chaired by an Independent Non-Executive Director. In view of the above, it is considered that independent views and input are available to the Board.

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

CORPORATE GOVERNANCE REPORT

Board skill matrix

The Board believes that having Directors with a broad and balanced mix of skills and expertise is crucial to supporting the Group's strategic direction, governance and business needs. An appropriate skill matrix empowers the Board to carry out its responsibilities effectively, driving long-term objectives and fostering sustainable growth for the Group.

The Board's current mix of skills and their relevance to the Company are set out below:

Director's skills and expertise	Relevance to the Company	Expertise coverage (% of entire Board of 15 Directors)
Executive leadership and strategy	Having the collective capability to set strategic direction, providing effective oversight of management, and fostering long-term sustainable growth of the Company	100%
Industry knowledge and experience	Making informed decisions, providing insights into market trends and responding to sector-specific challenges with better understanding of the Company's daily business operations, market development and competition as well as technology and innovation	67%
Financial literacy/business acumen	Facilitating effective financial management and providing insights into business opportunities and risks that drive sustainable profitability and long-term growth of the Company	100%
Risk management/regulatory compliance	Safeguarding the Company against legal, financial and operational risks through the implementation, management, and oversight of risk management and internal control systems to ensure compliance with legal and regulatory requirements	73%

The Board demonstrates strong capabilities across the above key areas and it is considered that the existing combination of skills, experience and diversity of the Directors is adequate and aligns with the purpose, values, strategy and corporate culture of the Company.

Board performance

The Company recognizes that regular Board evaluations are essential to strengthening corporate governance standards and enhancing the overall effectiveness of the Board. For the year ended 30 June 2026, an internal evaluation of the overall performance of the Board was conducted, involving the completion of a comprehensive self-assessment questionnaire by participating Directors. This assessment was designed to provide both quantitative ratings and qualitative insights across key areas, including board composition and skills, board practices, director training and development, stakeholder engagement, and overall effectiveness. Based on the evaluation results, it is considered that the composition of the Board and its committees remains appropriate, and that both the Board and its committees are operating effectively and efficiently to support the development of the Group.

CORPORATE GOVERNANCE REPORT

Appointment and re-election of Directors

There is no specific term of appointment for the Non-Executive Directors and Independent Non-Executive Directors of the Company. All Directors are required to retire from office by rotation and are subject to re-election by shareholders at annual general meetings at least once every three years.

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

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

Chairman and Chief Executive Officer

In order to reinforce their respective independence, accountability and responsibility, and to avoid power being concentrated in any one individual, the role of the Chairman is separate from that of the Chief Executive Officer. Their respective responsibilities are clearly established and defined by the Board in writing. The role of the Chairman is to ensure that the Board is functioning properly, with good corporate governance practices and procedures. The role of the Chief Executive Officer, supported by the Executive Directors and the management team, is to manage the Group's businesses, including the implementation of major strategies and initiatives adopted by the Board.

Board process

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

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

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

CORPORATE GOVERNANCE REPORT

Directors' attendance at Board meetings and general meeting

Four Board meetings and a general meeting were held during the year ended 30 June 2026. The attendance record of the Directors at the meetings is set out below:

Directors	Meetings attended/held during the term of office	
	Board Meetings	General Meeting
Executive Directors		
Mr. Fung Yuk-lun, Allen (<i>Deputy Chairman</i>)	4/4	1/1
Ms. Lau Yeuk-hung, Fiona (<i>Chief Executive Officer</i>)	4/4	1/1
Mr. Chau Kam-kun, Stephen	4/4	1/1
Non-Executive Directors		
Mr. Kwok Ping-luen, Raymond (<i>Chairman</i>)	4/4	1/1
Mr. Cheung Wing-yui (<i>Deputy Chairman</i>)	3/4	1/1
Mr. David Norman Prince	4/4	1/1
Mr. Siu Hon-wah, Thomas	4/4	1/1
Dr. Poon Sun-cheong, Patrick	4/4	1/1
Mr. Wong Hong-kit ¹	2/2	0/0
Independent Non-Executive Directors		
Dr. Li Ka-cheung, Eric	4/4	1/1
Mr. Ng Leung-sing	4/4	1/1
Mr. Gan Fock-kin, Eric	3/4	1/1
Mr. Lam Kwok-fung, Kenny	3/4	0/1
Mr. Lee Yau-tat, Samuel	4/4	1/1
Mr. Peter Kung	3/4	1/1

Note:

1. Mr. Wong Hong-kit was appointed as a Non-Executive Director of the Company with effect from 28 November 2025.

CORPORATE GOVERNANCE REPORT

Directors' training

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

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

All Directors have provided the Company with a record of the training they received during the year ended 30 June 2026. The training covered the following topics, as required under the Listing Rules:

1. The roles, functions and responsibilities of the Board, its committees and its Directors, and board effectiveness ("T1")
2. The Company's obligations and directors' duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rules updates) relevant to the discharge of such obligations and duties ("T2")
3. Corporate governance and environmental, social and governance (ESG) matters (including developments on sustainability or climate-related risks and opportunities relevant to the Company and its business) ("T3")
4. Risk management and internal controls ("T4")
5. Updates on industry-specific developments, business trends and strategies relevant to the Company ("T5")

A breakdown of the training completed by each Director is set out below:

Directors	Mode of Director’s Trainings										Total number of training hours
	External Training ¹					Self-study ²					
	Topics covered/ no. of hours					Topics covered/ no. of hours					
Executive Directors											
Fung Yuk-lun, Allen (<i>Deputy Chairman</i>)	T1	T2	T3	T4	T5	T1	T2	T3	T4	T5	22.5 hours
					9.0 hour					13.5 hours	
Lau Yeuk-hung, Fiona (<i>Chief Executive Officer</i>)						T1	T2	T3	T4	T5	7.5 hours
										7.5 hours	
Chau Kam-kun, Stephen						T1	T2	T3	T4	T5	7.5 hours
										7.5 hours	

CORPORATE GOVERNANCE REPORT

Directors	Mode of Director's Trainings					Total number of training hours	
	External Training ¹	Self-study ²					
	Topics covered/ no. of hours	Topics covered/ no. of hours					
Non-Executive Director							
Kwok Ping-luen, Raymond (<i>Chairman</i>)	T5 9.5 hours	T1	T2	T3	T4	T5 20.5 hours	30.0 hours
Cheung Wing-yui (<i>Deputy Chairman</i>)	T3 T4 22.5 hours	T1	T2	T3	T4	T5 14 hours	36.5 hours
David Norman Prince		T1	T2	T3	T4	T5 101.5 hours	101.5 hours
Siu Hon-wah, Thomas	T3 T5 18.0 hours	T1	T2	T3	T4	T5 11.5 hours	29.5 hours
Poon Sun-cheong, Patrick	T1 1.5 hours	T1	T2	T3	T4	T5 11.0 hours	12.5 hours
Wong Hong-kit		T1	T2	T3	T4	T5 26.5 hours	26.5 hours
Independent Non-Executive Directors							
Li Ka-cheung, Eric	T1 T2 T3 T4 T5 53.0 hours	T1	T2	T3	T4	T5 7.5 hours	60.5 hours
Ng Leung-sing		T1	T2	T3	T4	T5 7.5 hours	7.5 hours
Gan Fock-kin, Eric		T1	T2	T3	T4	T5 7.5 hours	7.5 hours
Lam Kwok-fung, Kenny	T5 16.0 hours	T1	T2	T3	T4	T5 26.5 hours	42.5 hours
Lee Yau-tat, Samuel		T1	T2	T3	T4	T5 7.5 hours	7.5 hours
Peter Kung	T1 T2 T3 T4 19.0 hours	T1	T2	T3	T4	T5 47.5 hours	66.5 hours

Notes:

1. External training includes attending (or serving as a speaker or panelist at) training courses, seminars, conferences and expert briefings organized by professional, industry, business or other external bodies.
2. Self-study includes taking online training and reading articles or other self-learning materials provided by the Company, regulators, professional or other external bodies.

CORPORATE GOVERNANCE REPORT

Board Committees

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

Board Supervisory Committee ("BSC")

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

The BSC meets regularly throughout the year to review and monitor the overall strategy implementation as well as the business operation and financial performance of the Group and to properly inform the Board of the status of such operations and performance.

Remuneration Committee

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

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

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

During the year ended 30 June 2026, the Remuneration Committee reviewed the remuneration of senior management, including the performance bonus, and passed two written resolutions approving the same.

Remuneration policy for Directors and senior management

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

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

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

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

The Nomination Committee is responsible for monitoring the implementation of the Company's nomination policy, and making recommendations to the Board on nomination and appointment of Directors and board succession. The Committee reviews the size, structure and composition (including the skills, knowledge and experience) of the Board, assists the Board in maintaining a board skill matrix, and supports the Company's regular evaluation of the Board's performance. The Committee is provided with sufficient resources enabling it to discharge its duties. The specific terms of reference of the Nomination Committee is available on the Company's website.

During the year ended 30 June 2026, the Nomination Committee reviewed and made a recommendation to the Board on a potential candidate for appointment as a Director. The Committee also reviewed the size, structure and composition of the Board, assessed each Director's time commitment and contribution to the Board, as well as each Director's ability to discharge his or her responsibilities effectively, taking into account professional qualifications and work experience, existing directorships in other listed companies, other significant external time commitments, and other factors or circumstances relevant to the director's character, integrity, independence and experience. Two written resolutions were passed during the year for these purposes.

The Nomination Committee has reviewed and recommended the re-election of those retiring Directors who offer themselves for re-election at the forthcoming 2026 Annual General Meeting.

Nomination policy

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

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

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

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

The chairman of the Committee is Dr. Li Ka-cheung, Eric and the other members are Mr. Ng Leung-sing, Mr. Gan Fock-kin, Eric and Mr. Peter Kung. Both Dr. Li Ka-cheung, Eric and Mr. Peter Kung possess professional accounting expertise. All the members of the Committee are Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

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

The Audit Committee held two meetings during the year ended 30 June 2026 to review with management and the Company's internal and external auditors the Group's significant internal controls and financial matters as set out in the Committee's terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim and annual financial statements for the Board's approval).

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

Directors	Meetings attended/held during the term of office
Dr. Li Ka-cheung, Eric (<i>Chairman</i>)	2/2
Mr. Ng Leung-sing	2/2
Mr. Gan Fock-kin, Eric	0/2
Mr. Peter Kung	2/2

The Audit Committee also held a meeting on 27 August 2026 and reviewed the financial statements of the Group for the year ended 30 June 2026 as well as the report of the Risk Management Committee and the report of Internal Audit. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are appropriate and in line with the market participants in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosure of data and explanations shown in the financial statements. The Committee was also satisfied that adequate and effective risk management and internal control systems have been maintained by the Group for the year ended 30 June 2026.

CORPORATE GOVERNANCE REPORT

External auditor's independence

PricewaterhouseCoopers ("PwC") is the Company's external auditor for the year ended 30 June 2026. The nature and ratio of annual fees to external auditor for non-audit services and for audit services are subject to scrutiny by the Audit Committee. The provision of non-audit services by the external auditor requires prior approval of Audit Committee so as to ensure that the independence and objectivity of the external auditor will not be impaired.

Details of the fees paid or payable to PwC and other audit firms (for miscellaneous services) for the year ended 30 June 2026 are as follows:

	HK\$
Services provided by PwC	
Audit services	1,997,000
Non-audit services	
Taxation	140,000
Review of interim financial statements	298,000
Other assurance services	200,000
	638,000
	2,635,000
Services provided by other firms	
Audit services	87,000
Non-audit services	
Other assurance services	78,000
	165,000

Before commencement of the audit of the consolidated financial statements of the Company and its subsidiaries as at and for the year ended 30 June 2026, the Committee received written confirmation from PwC confirming that they are independent accountants with respect to the Company within the meaning of the requirements of Part 4A of the Code of Ethics for Professional Accountants of the Hong Kong Institute of Certified Public Accountants.

The Committee was satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of PwC and had recommended the Board to propose a resolution of their re-appointment as the Company's external auditor at the forthcoming 2026 Annual General Meeting.

CORPORATE GOVERNANCE REPORT

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

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

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

The responsibilities of the auditor for the consolidated financial statements are set out in the Independent Auditor's Report on pages 109 to 113 of this Annual Report.

Risk management and internal control systems

The Board is responsible for the risk management and internal control systems of the Group and for reviewing its effectiveness. Such risks would include, amongst others, material risks relating to the environmental, social and governance ("ESG").

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

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

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

CORPORATE GOVERNANCE REPORT

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

The Board, through the Audit Committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems and concluded that adequate and effective risk management and internal control systems have been maintained for the year ended 30 June 2026. The review considered the adequacy of resources, qualifications and experience of staff in the Group's accounting, financial reporting and internal audit functions, and their training programs and budget, as well as those relating to ESG performance and reporting. The review covered all material controls, including financial, operational and compliance controls and risk management functions. It was based on a framework which assesses the Group's risk management and internal control systems against control environment, risk management, control activities, information and communication and monitoring activities on all major business and operational processes. The review also considered (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had or may in the future have, a material impact on the Group's financial performance or condition; and (e) the effectiveness of the Group's processes for financial reporting and Listing Rule compliance.

The Company has both whistleblowing policy and anti-fraud policy in place. Whistleblowing policy sets out the principle of whistleblowing, the procedures to be followed to raise concerns with the Audit Committee through a designated Whistleblowing Officer and the protection of the complainants. The anti-fraud policy is to safeguard the Company, customers, and partners against fraudulent activities like scams, identity theft, or misuse of services, fostering a culture of integrity, and complying with Hong Kong laws and regulations. Both policies apply not only to the employees of the Group but also to third parties who deal with the Group.

The Company also has policies in place to prevent bribery and conflicts of interest. These policies form part of the Group's Code of Conduct for employees and are clearly set out in the Employee Handbook. All employees are required to follow them strictly. Employees can safely raise concerns about corruption or any other misconduct through the whistleblowing procedures mentioned above.

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

CORPORATE GOVERNANCE REPORT

Compliance with model code for securities transactions by Directors

The Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 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 year ended 30 June 2026, they had fully complied with the required standard set out in the Model Code and there was no event of non-compliance.

Diversity

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

As at 30 June 2026, the Board comprises 14 male Directors and one female Director. The Directors are of different age groups, length of services in the Group, cultural and educational background, and professional experience (see the section “The Board — Composition” of this Corporate Governance Report and the biographical details of the Directors set out on pages 95 to 103 of this Annual Report). The Nomination Committee considers the current composition and structure of the Board as appropriate. The Nomination Committee monitors the implementation of the board diversity policy and will review the policy, as appropriate, to ensure the effectiveness of the Policy.

The Company believes that each Director’s background and his/her contribution to the Board should be considered on its own merits. Gender is only one of the many factors that influence this consideration. Therefore, the Company does not set numerical targets or timelines for achieving gender diversity on the Board. However, the Company will, to the extent possible, avoid having a single gender Board.

The Group also adopted a Workplace Diversity and Inclusion Policy to affirm its commitment to fostering a workplace culture that respects, values and embraces differences, and provides a safe, equitable and inclusive environment in which all individuals can thrive. The policy applies to employees, contractors and third-party providers, and also sets expectations for partners and suppliers to align with these principles. It reflects the Group’s commitment to fairness, respect and equal opportunity, and recognizes diversity across ethnicity, race, gender, age, sexual orientation, physical ability, religious beliefs, family status, cultural background and perspectives. The policy also supports merit-based employment practices, encourages diverse representation and perspectives, and maintains a zero-tolerance approach to discrimination and harassment. Implementation of the policy is monitored through regular audits and periodic reviews to promote accountability and continuous improvement.

As at 30 June 2026, male and female full-time employees of the Group (excluding Directors) accounted for approximately 60% and 40% of the workforce, respectively. The Group has a higher proportion of male employees, which is common among technology-driven companies. The Group has not established any specific numerical targets or timelines for achieving gender diversity within its workforce. As an equal opportunity employer, the Group considers the suitability of applicants and evaluates the performance of employees based on individual merit, without regard to gender. All employees are provided with equal employment and career development opportunities.

CORPORATE GOVERNANCE REPORT

Shareholders' rights

Right to convene special general meeting

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

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

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

Right to put enquiries to the Board

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

Right to put forward proposals at general meetings

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

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

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

CORPORATE GOVERNANCE REPORT

Investor relations

Shareholders' communication policy

The Company adopted a shareholders' communication policy. The policy aims to set out the provisions with the objective of ensuring that the company's shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Corporate communication, including announcements, interim and annual reports, shareholder circulars, etc., are provided to the shareholders in plain language and in both English and Chinese to facilitate understanding. A dedicated section is available on the Group's website to facilitate access to the information about the Group. Webcasts of the Group's results briefing are also available. Designated contacts, email addresses, fax and enquiry lines are provided to enable shareholders to make enquiries about the Group. Shareholders' meetings are convened as a platform for the shareholders to talk directly with the Directors and management. The Group also gets in touch with the investment community through investor/analyst briefings, roadshows (both domestic and international), media interviews, specialist industry forums, etc. on a regular basis.

During the year ended 30 June 2026, the Company engaged with shareholders and the investment community through a range of communication activities. In particular, the annual general meeting was held in November 2025, providing shareholders with an opportunity to engage directly with the Directors. Almost all Directors attended the meeting and listened to the views expressed by shareholders. The Company also hosted two analyst and press webcasts during the year, in September 2025 and February 2026, to present its annual and interim results, respectively. The webcasts, hosted by the Chief Executive Officer and members of the senior management, enabled investment analysts and journalists to better understand the Company's financial performance and provided a forum for addressing their questions.

Upon review of the investor relations activities held during the year like the annual general meeting, investor/analyst briefings, etc. and testing of the functionality of the different contact channels like emails, enquiry lines, etc., the Company considers that the shareholders' communication policy is effective and properly implemented.

Dividend policy

The Company seeks to provide stable and sustainable returns to the shareholders. In determining the dividend amount, the Board will take into account the Group's earnings performance, financial position, investment and funding requirements, and future prospects. The Board will review the dividend policy and payout ratio as appropriate from time to time.

All dividend decisions made by the Board were in line with the dividend policy of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this report

SmarTone Telecommunications Holdings Limited and its subsidiaries (referred to in this report as “the Group”, “the Company”, “SmarTone” or “we”) are pleased to present our environmental, social and governance report. This report covers the financial year ended 30 June 2026 and is prepared in accordance with the Environmental, Social and Governance Reporting Code (the “ESG Code”) set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The scope of this report covers our key business operations in providing telecommunications services in Hong Kong. The Group’s operations in Guangzhou (customer service center) are excluded from the scope as their scale is insignificant as compared to the Group’s operations in Hong Kong.

This report highlights the Group’s sustainability efforts in environmental and social aspects. For details of our corporate governance, please refer to the Corporate Governance Report included in this Annual Report.

Sustainability at SmarTone

Vision

At SmarTone, we envision “Building Network with Heart” to create positive impact with technology for a sustainable and digitally intelligent future. We aspire a future where technology connects the community and empowers consumers and enterprises for a sustainable future. As a trusted partner of digital life, we are dedicated to innovating responsibly while prioritizing environmental sustainability and safeguarding customer privacy. We engage strategically with key stakeholders including customers, partners, employees, and community groups, to drive a meaningful positive impact on the environment and society.

Mission

Our mission is to seamlessly integrate Environmental, Social and Governance (“ESG”) principles into our core business strategy, driving business growth while facilitating digital transformation for enterprises and delivering the best network experience for our customers. This commitment aligns with our sustainability goals by ensuring that our business operations are environmentally responsible, socially inclusive, and governed by stringent governance standards. By embedding ESG principles into our strategy, we aim to reduce our carbon footprint, promote digital inclusion, and uphold the highest standards of data privacy and cybersecurity. This holistic approach not only supports sustainable development but also enhances our ability to create long-term value for all stakeholders, including customers, employees, partners, and the community.

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Employees

1,056



Employees by gender

Female Employees

36%



Male Employees

64%



Employees trained

97%



Employees by age group



Under 30

10%



30–50

62%



Above 50

28%

Base Station Energy Efficiency Improvement*



Estimated Carbon Emissions Reduction

6,880 Tonnes



Mobile Network Data Energy Efficiency

13.9% YoY

Paper recycled



8,106 KG

* Compared to no energy saving initiatives

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Governance structure and risk management framework

The board of directors (the “Board”) oversees the ESG issues of the Group, and sets forth the overall ESG management approach, strategy and priorities. The Board is responsible for the overall risk management and internal control systems of the Group and for reviewing its effectiveness, which also covers the ESG-related risks to the Group’s business. Risk management framework is in place to provide a consistent approach on the risk management processes in identification, assessment, treatment and reporting of all risks identified affecting key business processes. The Board reviews and assesses the Group’s ESG achievements which forms an integral part of the Group’s overall performance that the Board bears the ultimate governance role.

The Risk Management Committee supports the Board and the Audit Committee by assessing the effectiveness of the Group’s risk management and internal control systems that cover ESG risks and issues.

The ESG Taskforce is responsible for ensuring that SmarTone’s sustainability agenda aligns with both its strategic business goals and stakeholder expectations. Chaired by an Executive Director and composed of senior executives from various departments, the ESG Taskforce is tasked with coordinating and managing all ESG-related activities across the Group. It meets regularly to develop strategies and implementation plans, review existing sustainability policies, and identify, assess, prioritize, and manage ESG challenges and climate risks.

Below is a list of the Group’s key policies in ESG-related areas:

- Board Diversity Policy
- Director Nomination Policy
- Shareholder Communication Policy
- Employee Code of Conduct
- Group Sustainability Policy
- Workforce Diversity Policy
- Information Security and Data Privacy Protection Policy
- Anti-fraud Policy
- Whistleblowing Policy

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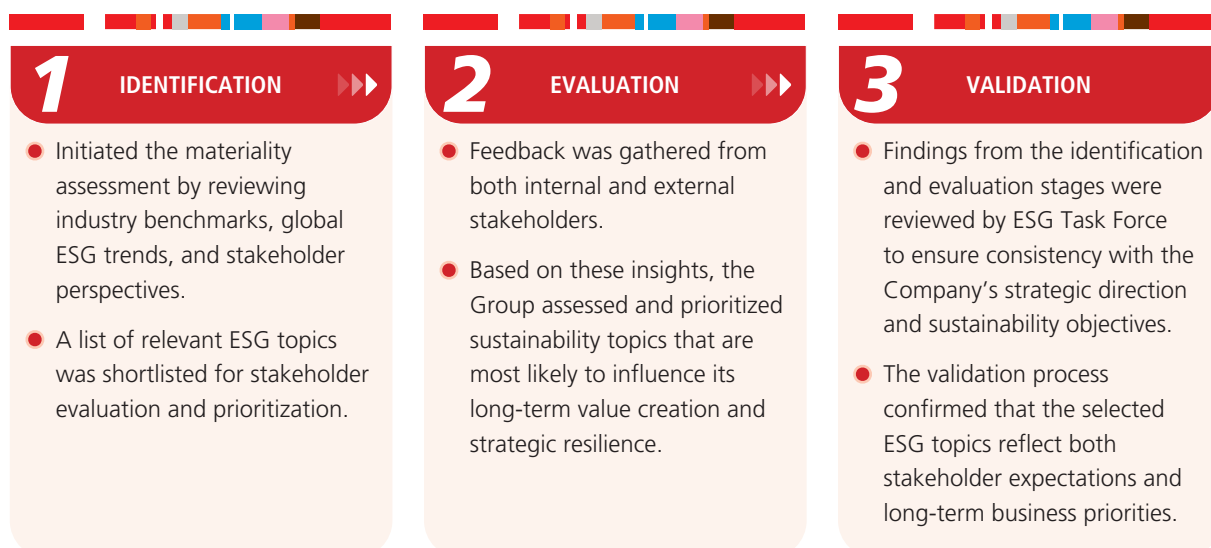
Stakeholder engagement and materiality assessment

At SmarTone, we recognize the importance of identifying and prioritizing the ESG issues that matter most to our stakeholders and our business. Our materiality assessment process involves a three-step methodology: identification, evaluation, and validation. We engage with a diverse group of stakeholders, including customers, employees and partners, to gather insights and understand their perspectives on various ESG topics. This engagement helps us ensure that our ESG strategy aligns with stakeholder expectations and industry standards.

We have identified several material topics that are critical to our sustainability efforts. These include cybersecurity, customer data privacy, service excellence, service reliability and coverage, staff development and retention, understanding customer needs and engaging customers, service innovation, anti-corruption and business integrity, and customer health and safety. Each of these topics is evaluated based on its impact on our stakeholders and its significance to SmarTone's business operations.

The results of our materiality assessment are presented in a materiality matrix, which visually represents the relative importance of each topic. This matrix serves as a valuable tool for guiding our ESG strategy and ensuring that we focus our efforts on the areas that matter most. By continuously reviewing and updating our materiality assessment, we strive to enhance our ESG performance and create long-term value for all our stakeholders.

The Three-step Methodology for Group Materiality Assessment



Sustainability topics

As part of our commitment to sustainability, we identified the issues most relevant to our stakeholders and business and developed a list of key sustainability topics for evaluation and prioritization, ensuring our strategy focuses on areas that drive the greatest impact and long-term value.

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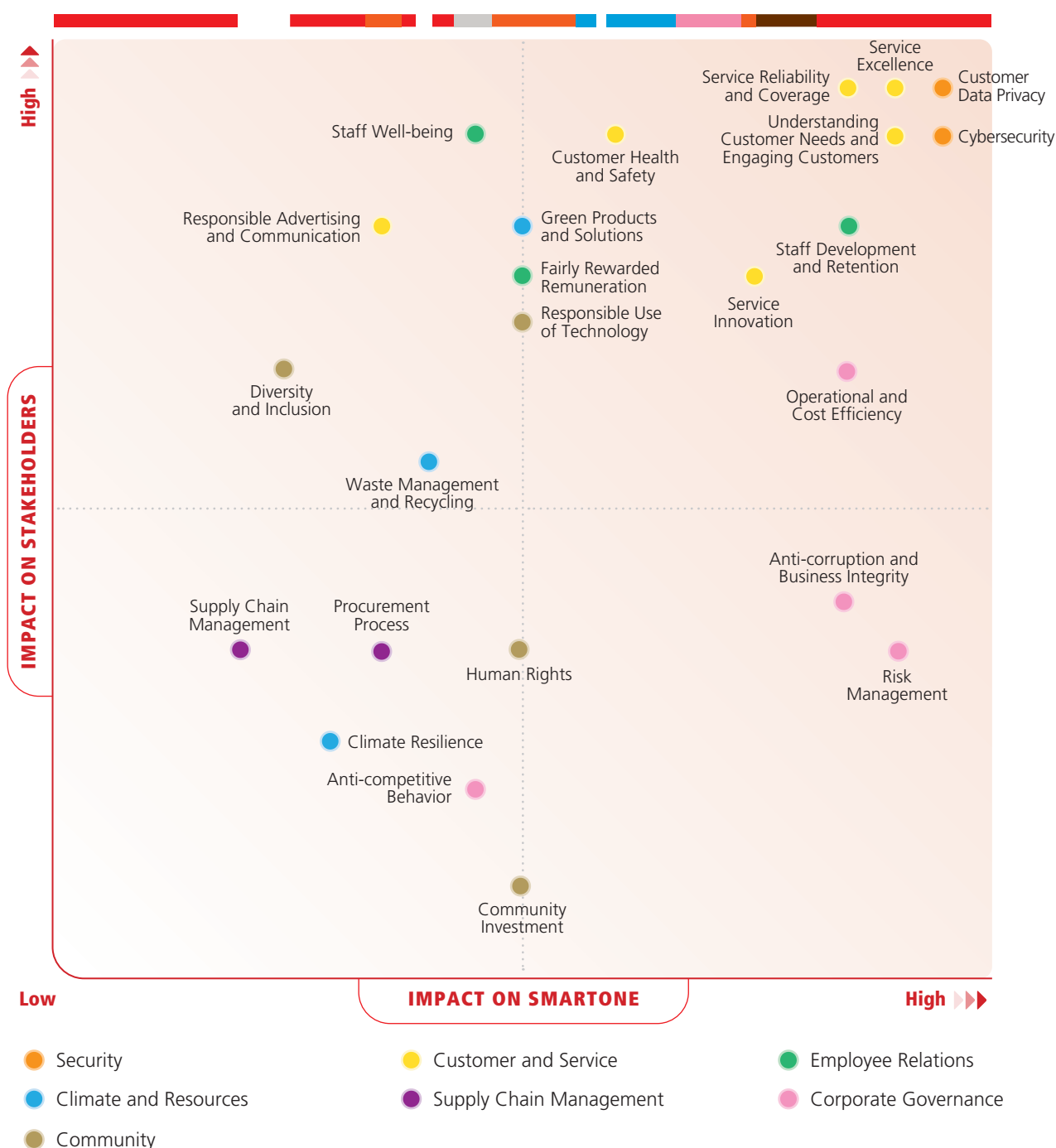
Aspect	Sustainability Topic
Security	Cybersecurity
	Customer Data Privacy
Customer and Service	Service Excellence
	Customer Health and Safety
	Service Reliability and Coverage
	Service Innovation
	Understanding Customer Needs and Engaging Customers
	Responsible Advertising and Communication
Employee Relations	Staff Development and Retention
	Staff Well-being
	Fairly Rewarded Remuneration
Climate and Resources	Climate Resilience
	Waste Management and Recycling
	Green Products and Solutions
Supply Chain Management	Supply Chain Management
	Procurement Process
Corporate Governance	Anti-corruption and Business Integrity
	Anti-competitive Behavior
	Risk Management
	Operational and Cost Efficiency
Community	Community Investment
	Human Rights
	Diversity and Inclusion
	Responsible Use of Technology

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Materiality matrix

The below figure summarizes the material sustainability topics, according to their importance to stakeholders and impact on businesses. This analysis is crucial for the company to strategize its ESG priorities, ensuring that the most critical areas are addressed first.

By setting up a comprehensive performance matrix, the company can effectively track progress and measure the impact of its initiatives. Additionally, this framework will help identify areas for improvement and guide the implementation of targeted steps to enhance overall sustainability performance.



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Sustainability framework

SmarTone is committed to sustainability development, and our sustainability framework aligns with the United Nations Sustainable Development Goals (“UNSDGs”), particularly those that hold the highest relevance to our operations and impact. Our framework is built on three core pillars: Environment, Governance and Social. By integrating these pillars into our business strategy, we aim to drive positive change and create long-term value for our stakeholders.

Pillars	Material Topics	Mapping to the UNSDGs
Governance	● Cybersecurity ● Customer Data Privacy ● Supply Chain Management ● Procurement Process ● Anti-corruption & Business Integrity ● Anti-competitive Behavior ● Risk Management ● Operational & Cost Efficiency ● Responsible Use of Technology	   
Social	● Service Excellence ● Customer Health & Safety ● Service Reliability & Coverage ● Service Innovation ● Understanding Customer Needs & Engaging Customers ● Responsible Advertising & Communication ● Staff Development & Retention ● Staff Well being ● Fairly Rewarded Remuneration ● Community Investment ● Human Rights ● Diversity & Inclusion	       
Environment	● Climate Resilience ● Waste Management & Recycling ● Green Products & Solutions	   

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Customer service and satisfaction

SmarTone puts customer value and service excellence at the heart of everything we do, delivering positive outcomes for our stakeholders and the wider community. Our recent accolades affirm our steady progress in ESG performance, underscoring robust ESG integration, strong cybersecurity governance, and trusted brand stewardship. They also recognize our engaged, service-driven culture.

For the year ended 30 June 2026, the Group received the following prestigious awards:

Data privacy & cybersecurity governance	Cyber Security Staff Awareness Recognition Scheme 2025 HKIRC & ISACA China Hong Kong Chapter <i>— Diamond Tier</i>
ESG governance & commitments	Caring Company Scheme The Hong Kong Council of Social Service <i>— 20 Years Plus Caring Company</i>
Staff development & Retention	Best HR Awards CTgoodjobs <i>— Best Corporate Wellbeing Programme Award</i> <i>— Best in HR Digitalisation Award</i>
Product responsibility	Network X Awards 2025 Informa <i>— Best Smart Home Customer Experience</i>
	The 57th Distinguished Salesperson Award The Hong Kong Management Association <i>— Distinguished Salesperson Award</i>
	2025 Service Talent Award Hong Kong Retail Management Association <i>— Outstanding Flagship Service Brand</i> <i>— Outstanding Flagship Service Store (Top 10)</i> <i>— Supervisory — Telecommunications (Gold)</i> <i>— Junior Frontline — Telecommunications (Gold)</i> <i>— 40th Service Talent Award — Most Participating Brand</i> <i>— Top 10 Live Streaming Award (Newcomer)</i> <i>— Excellent Service Star</i>

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Product responsibility

Quality Service Programme

Hong Kong Retail Management Association

— 2025 Quality Service Retailer of the Year — Telecommunications Category

— 2025 Quality Service Store Recognition — Customization Award

Quality E-Shop Recognition Scheme

Hong Kong Retail Management Association

— Quality Trusted E-Shop

O2O Customer Experience Recognition

Hong Kong Retail Management Association

— O2O Customer Experience Recognition

e-zone eBrand Awards 2025

e-zone

— The Best Smart Home Solutions

Best of IT Award 2025–2026

PCMarket

— Corporate 5G Wireless Network Award

Responding to customers' feedback

SmarTone treasures customers' feedback on our network and service, which drives us to continuously improve and give us valuable insights for future development. There are many channels for the customers to voice their opinion, including 24/7 sales and service hotlines, 24-hour online live chat, online feedback/complaint/enquiry forms via website or mobile apps, etc.

Our customer service representatives will handle the feedback and complaint cases timely and professionally. All frontline and customer service representatives have received proper training to handle customer complaints and enquiries. There is established guideline in place so that complaint or enquiry cases can be treated in a consistent manner. After all, customers' satisfaction is our utmost priority.

Customer Complaint Settlement Scheme

SmarTone is a member of the Customer Complaint Settlement Scheme ("CCSS"), a mediation scheme set up by the telecommunications industry to help resolve billing disputes in deadlock between telecommunications service providers and their customers. The mediation service is provided by an agency ("CCSS Agent") set up under the Communications Association of Hong Kong ("CAHK"), an industry association representing the communications sector in Hong Kong.

Customers who choose to use the mediation service under the CCSS may first contact the Office of the Communications Authority ("OFCA") which will assess the applications against prescribed criteria. OFCA will refer accepted cases to CCSS Agent for further handling.

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Environmental protection

The Group is committed to environmental protection. It makes efficient use of resources, promotes green awareness within the Group, follows eco-friendly management practices and supports community events to build a green living environment. We target to achieve year-on-year reductions in total greenhouse gas (GHG) emissions intensity and total energy consumption intensity in the long run. To achieve this, we are taking active steps, which are described in more detail in the following sections.

Emissions

Electricity is the key source of energy for our business and our major source of greenhouse gas emissions. Other minor sources of emissions include our transport vehicles and standby emergency generators.

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 traffic pattern, resulting in a further 14% energy efficiency gain without compromising network performance. This combined effort has led to an impressive overall energy efficiency improvement of 39%, demonstrating SmarTone's commitment to sustainability and minimizing energy consumption.

While the new energy-efficient technology is being progressively deployed across our network in line with the upgrade plan and technology evolution, we nonetheless achieved a notable improvement in mobile network data energy efficiency during the year under review. Measured by the volume of data transmitted per unit of electricity consumed, energy efficiency across the Company's entire network increased from 6.76 GByte/kWh for the year ended 30 June 2025 to 7.70 GByte/kWh for the year ended 30 June 2026. This improvement is particularly significant given the surge in packet volume during the year driven by network expansion and increased customer usage. It is estimated that this enhancement in energy efficiency corresponds to a reduction of approximately 6,880 tonnes of CO₂e emissions.

For switching centers, we replaced traditional chiller systems with Oil-Free Variable Speed chillers which could achieve 30%–50% efficiency improvement. We also optimized the ambient temperature of our data center for maximum energy saving while keeping healthy operations of the servers and devices.

SmarTone recently introduced a new carbon film coating technology on the condensers of our chiller units. This innovative coating has delivered measurable environmental benefits, improving the Coefficient of Performance (COP) by 6.15% and reducing power consumption by 6%. The carbon-based coating enhances heat dissipation through improved thermal conductivity, allowing the chiller units to operate more efficiently. This not only lowers the energy required to cool our facilities, but also increases the longevity of the chiller equipment, reducing maintenance costs. These upgrades demonstrate SmarTone's commitment to implementing sustainable technologies that reduce our environmental footprint.

All these measures will reduce much of the carbon emissions from the equipment in and air-conditioning for the base stations, switching centers and data center.

By the nature of our business, the discharges into water and land, and generation of hazardous and non-hazardous waste during our course of operations is minimal.

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Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Use of resources, the environment and natural resources

In addition to our efforts in reducing power consumption by our cell sites, switching centers and data center mentioned above, we also demonstrated our environmental concern through efficient use of resources in our daily operations.

Our entire line of retail shops uses a wirelessly operated customer management system. Frontline colleagues use tablets to provide services to customers, including the use of e-Signature to replace paper for contract confirmation and the use of e-leaflets to replace paper-based promotional leaflets. The wireless system greatly reduces the use of paper in our sales process. We also established carbon reduction measures and progressively increase the use of high energy-efficient appliances in our daily operations to reduce carbon emissions.

SmarTone is committed to environmental protection and upholding its corporate social responsibility. Recycling boxes are available at major SmarTone stores, encouraging the public to recycle old mobile phones, tablets, and a range of accessories, including chargers, cables, phone cases, and power banks. The programme collaborates with certified local recycling organisations to ensure all collected items are handled properly. During the year under review, the initiative recycled over 220 kilograms of electronic waste, demonstrating strong public support and active participation in environmental protection.

SmarTone also supports various environmental initiatives, including the "Mooncake Boxes Recycling Program 2025" organised by Greeners Action. In addition, the Company has extended its Red Packet Recycling Programme to encourage both the public and employees to recycle used Lai See packets, promoting a more sustainable festive tradition. SmarTone will continue to roll out diverse initiatives to inspire more citizens to embrace sustainable lifestyles.

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Other examples of our environmental-friendly measures include:

Energy saving	● Use energy-saving lighting fixture (LED) and electronic ballasts ● Reduce lighting provisions in non-working areas ● Gradually deploy intelligent fan coil units in the central air-conditioning systems to reduce energy consumption ● Install energy-saving mechanisms in certain offices, such as installing light sensors near windows to dim lights during daylight hours, using motion sensors in meeting rooms to automatically control lighting, and enabling automatic shutdown of office lights and air-conditioning during non-office hours ● Encourage staff to switch off unnecessary lighting, equipment, personal computers and monitors in lunch time, after office hours, while away or in meeting ● Encourage staff to unplug all mobile phone chargers/adapters when they are not in use ● Encourage staff to adopt video teleconferencing for both internal and external meetings to save fuel/energy which may otherwise be consumed in travelling
Green procurement	● Use suppliers/vendors with recognized environmental-friendly certificates whenever possible ● Purchase office equipment with Grade 1 energy saving labels whenever possible ● Printing paper — select those made from 100% plantation fiber and 100% chlorine free bleached
Efficient use of paper	● Default duplex printing for digital copiers ● Encourage printing multiple pages on single sheet of paper ● Use print-on-demand system so unwanted print jobs can be deleted even after being sent to the servers ● Deploying electronic document management system to minimize paper filing and enhance documents sharing within the Company ● Decline all newspaper/media subscriptions in paper form; encourage to use electronic or online version instead. ● Encourage staff to use digital presentation for meetings, instead of printing hardcopy handouts
Recycling	● Use printer/fax/copier toners that can be collected/sold back to suppliers for recycling ● Participate in waste recycling schemes for collecting wastepaper, used fluorescent tubes, aluminum cans and plastic bottles ● Stationeries — reuse internal envelopes and box files; encourage smart use of stationery

By the nature of our business, the usage of water during our course of operations is minimal. The Group is primarily engaged in telecommunications services offering voice, multimedia and mobile broadband services, which does not require any packaging material. The package material used for the mobile devices and accessories sold by the Group during the course of business is part of the products and is provided by the respective mobile device and accessory manufacturers.

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Climate change

We recognize that climate change poses an emerging risk to both communities and businesses, including our own. Increasingly frequent and severe weather events, such as typhoons, heavy rainfall, and flooding, have the potential to disrupt our operations and infrastructure. To address these challenges, we remain committed to strengthening our operational resilience and advancing our sustainability efforts. During the year, we assessed our economic activities with reference to climate scenarios and performed climate-related risk assessment to better understand our exposure and prepare for long-term climate impacts. Building on this insight, we continue to implement low-carbon initiatives and environmental measures across our operations, aligning our business practices with the global transition toward a more climate-resilient and sustainable future.

1. Climate governance

As the highest governing body, the Board is overseeing climate-related strategies, supervising ESG progress and reviewing the annual ESG report. The Board assesses whether Board Members possess the appropriate knowledge and competencies to effectively oversee climate-related matters, with relevant training and ongoing professional development detailed in the Corporate Governance Report.

An ESG Taskforce, led by an Executive Director, has been established to carry out the Board's climate-related strategy. The Taskforce comprises representatives from key departments and is responsible for planning, coordinating, and managing all ESG-related activities. This includes developing strategies and implementation plans, reviewing policies, and prioritizing initiatives, and prepare the ESG Report. Key insights and developments are ultimately reported to the Board on a semi-annual basis.

Highest governing body	The Board ● Holds ultimate oversight of climate-related and ESG risks and opportunities. ● Approves the Group's climate-related strategy and ESG Report.
Management-level governance	Risk Management Committee ● Examines the Group's policies to ensure compliance with the regulations and the responsibilities of a company listed on the Hong Kong Stock Exchange. ● Supports the Board and the Audit Committee by assessing the effectiveness of the Group's risk management and internal control systems that cover ESG risks and issues.
	SmarTone ESG Taskforce ● Led by an Executive Director and comprises senior management representatives from key departments and functions across the Group. ● Oversees climate-related risks as well as the Group's overall ESG performance. ● Conducts regular reviews and updates of the Group's climate-related strategy and climate-related risk management processes. ● Establishes and regularly reviews internal policies and controls to ensure that they are consistently aligned with relevant ESG regulations. ● Provides recommendations and guidance to business units, supporting the effective implementation of the Group's ESG strategy throughout the organization.
Implementation and execution	Business units and departments ● Implements ESG and climate-related initiatives in daily operations. ● Monitors compliance with ESG policies and internal procedures. ● Reports progress and challenges to the ESG Taskforce.

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2. Strategy

Climate scenario assessment approach

During the financial year, SmarTone assessed its economic activities against climate scenarios with reference to the climate-related disclosure requirements of the ESG Code to assess its business resilience under different climate futures. The assessment explored two contrasting climate scenarios using data and assumptions from the Intergovernmental Panel on Climate Change (“IPCC”) and the Network for Greening the Financial System (“NGFS”). These scenarios considered both physical risks (related to the direct impacts of climate change) and transition risks (arising from the shift to a low-carbon economy) across multiple time horizons. While the analysis helps identify potential risk exposures, it also acknowledges the inherent uncertainties due to the evolving nature of climate science and limitations in data availability and precision. Key parameters and assumptions used in the assessment are summarized in the table below.

	High emission/No mitigation scenario (4°C)	Low emission/Net zero scenario (1.5°C)
General assumptions	This scenario was chosen to evaluate the consequences of escalating climate change in the absence of effective mitigation efforts or policy interventions.	This scenario was chosen to evaluate the effects of strong climate measures aimed at achieving the Paris Agreement’s 1.5°C goal.
Scenario references	● IPCC RCP 8.5 ● NGFS Current Policies	● IPCC RCP 2.6 ● NGFS Disorderly — Delayed Transition
Time horizons	● Baseline year: 2025 ● Short-term: 2030 ● Medium-term: 2050 ● Long-term: Beyond 2050	
In-scope properties	All Hong Kong telecommunication networks and offices.	

Climate scenario assessment findings

Physical risks stem from climate-related events and are typically categorized as either acute or chronic. Acute risks involve sudden, extreme weather occurrences such as storms or floods, while chronic risks result from gradual, long-term changes in climate patterns, like rising temperatures or shifting rainfall trends. The impact and severity of these risks can vary significantly depending on the time horizon and geographic location.

Transition risks refer to the potential disruptions faced as economies move toward low-carbon and environmentally sustainable models. These risks may arise due to evolving climate policies, regulatory changes, legal developments, technological advancements, or shifts in market preferences, all of which can affect businesses adapting to a more climate-resilient future.

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The following table summarizes the key risks we identified, the corresponding description and impact, as well as our mitigation strategy in place.

Type	Key risks	Time Horizons	Description and potential impact	Our strategy
Physical Risk — Acute	Strong typhoon	Short-term	The organization faces increasing exposure to severe typhoons, which are becoming more frequent and intense due to climate change. These storms bring strong winds, heavy rainfall, and coastal storm surges that pose a threat to telecommunications infrastructure, office premises, and service facilities. Flooding, especially in low-lying or poorly drained areas, can damage equipment, interrupt services, and disrupt operations. This can lead to increased insurance costs, loss of revenue, and reduced customer satisfaction.	● A Disaster Recovery Plan enables 50% of core teams to work remotely, ensuring operational continuity. ● Ongoing climate-risk assessments identify threats such as strong winds, heavy rain, and flooding, supporting proactive and contingency planning. ● Checklists are used to speed up network recovery following typhoons. ● Staff training and emergency response procedures are regularly conducted to ensure preparedness.
Physical risk — Chronic	Rising mean temperature	Long-term	The gradual increase in average temperatures poses a long-term challenge to operational efficiency. Higher ambient heat places added pressure on data centers, telecom equipment, and office environments, increasing the need for cooling. This drives up energy consumption and costs, while also risking equipment overheating, which may impact service delivery and business continuity if not properly managed.	● Upgrading to more efficient systems, such as transitioning from older networking infrastructure to lower-power alternatives that produce less heat. ● Consolidating equipment in data centers to improve temperature management and space efficiency. ● Phasing out less efficient infrastructure and materials as part of a broader strategy to manage long-term temperature risk systematically.

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Type	Key risks	Time Horizons	Description and potential impact	Our strategy
Transition Risk	Changing Market Expectations and Customer Preferences	Medium-term	As climate change and sustainability considerations become increasingly important to customers, enterprise clients, investors and other stakeholders, expectations regarding environmental performance, climate-related disclosures and responsible business practices continue to evolve. Failure to respond to these changing expectations may adversely affect competitiveness, customer retention, access to business opportunities, stakeholder confidence and corporate reputation. Additional resources and investments may also be required to enhance climate-related governance, reporting capabilities and sustainability performance.	● Monitor emerging sustainability trends, customer preferences and stakeholder expectations. ● Strengthen climate-related governance, disclosures and ESG reporting practices. ● Continue improving energy efficiency across network infrastructure and operations. ● Integrate sustainability considerations into business planning, procurement and operational decision-making. ● Maintain ongoing stakeholder engagement.
Climate-related Opportunity	Improved Operational Efficiency	Medium-term	Efforts to reduce energy consumption and improve operational efficiency may help lower operating costs while supporting sustainability objectives. Investments in more energy-efficient network infrastructure and operational optimization may contribute to environmental performance and long-term business resilience.	● Continue upgrading network infrastructure with energy-efficient technologies. ● Optimize energy management across telecommunications facilities. ● Monitor energy performance and identify further efficiency improvements. ● Consider sustainability factors in infrastructure and capital investment decisions.

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Climate transition plan

The Group recognizes the importance of supporting the transition to a lower-carbon economy while maintaining resilient and reliable telecommunications services. As part of its climate transition approach, the Group aims to improve operational efficiency, strengthen the resilience of its network infrastructure, and integrate climate-related considerations into business planning and decision-making processes.

To support this transition, the Group will focus on the following areas:

Focus area	Transition actions
Network and operational efficiency	Continue to enhance the energy efficiency of network infrastructure and operational facilities through technology upgrades and optimization initiatives.
Energy management	Explore opportunities to improve energy management practices and assess the feasibility of lower-carbon energy solutions where appropriate.
Climate resilience	Consider climate-related risks and opportunities in infrastructure planning, investment decisions and risk management processes to strengthen operational resilience.
Sustainable products and services	Promote digital services and paperless solutions that support customers in reducing resource consumption and adopting more sustainable lifestyles.
Supply chain engagement	Encourage suppliers and business partners to consider environmental factors and support sustainable practices across the value chain.

The Group will periodically review its climate-related priorities, performance indicators and transition actions, taking into account changes in technology, regulatory developments, stakeholder expectations and business needs.

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3. Risk management

The Group has established a comprehensive risk management and internal control system to continuously monitor its risk framework, including climate-related risks. The Risk Management Committee oversees the Group's overall risk management. It reviews major climate-related concerns highlighted by the ESG Taskforce and provides the Audit Committee with semi-annual updates, risk assessments, and recommendations.

The ESG Taskforce monitors climate-related risks and regularly reviews relevant strategies and initiatives. It also routinely evaluates internal policies and controls to ensure compliance with ESG regulations, reporting to the Risk Management Committee every six months. For further information on our risk management framework, please see the Risk Management and Internal Control Systems section of the Corporate Governance Report in SmarTone's 2025/26 Annual Report.

The Group's risk management process, led by the Risk Management Committee, ensures effective identification, assessment, control, monitoring, and reporting of risks. This process covers key risk areas, including business, financial, compliance, operational, IT, and climate-related risks and opportunities, supporting the Group's strategic goals and regulatory compliance.

Risk identification	Identify risks across core areas, including climate-related risks and opportunities, and monitor changes from business developments.
Risk assessment	Evaluate the nature and impact of identified risks, including climate factors, and review changes since the last assessment.
Risk management	Establish and maintain controls to manage risks and address control weaknesses, including climate-related measures.
Risk control	Continuously monitor risks and controls, focusing also on climate risk trends and opportunities, and communicate findings internally.
Risk monitoring	Regularly report key risks, including climate risks and opportunities, to the Audit Committee for oversight and compliance.

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4. Metrics and targets

The Group is committed to continuously enhancing the transparency, completeness and accuracy of its greenhouse gas (“GHG”) emissions disclosures. During FY2025/26, the Group commenced the establishment of its Scope 3 GHG emissions baseline and strengthened its emissions data management processes to support the monitoring and assessment of climate-related impacts across its value chain.

In accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (collectively, the “GHG Protocol”), Scope 3 GHG emissions represent indirect emissions generated throughout the Group’s value chain that are not directly owned or controlled by the Group.

With reference to peer benchmarking, industry practices and publicly available research on Scope 3 emissions across the telecommunications sector, the Group identified purchased goods and services (Category 1), capital goods (Category 2) and use of sold products (Category 11) as the Scope 3 categories currently considered most relevant to its operations. These categories were selected based on the nature of the Group’s business activities, procurement profile and value chain characteristics.

During the Year, the Group carried out Scope 3 GHG emissions data collection for the first time and adopted a spend-based methodology to estimate associated emissions using procurement expenditure data together with third-party emission factors. This initial assessment represents an important step towards improving the coverage, completeness and reliability of the Group’s Scope 3 GHG emissions inventory.

Looking ahead, the Group will continue to optimise its GHG inventory and data management processes, enhance the completeness and accuracy of emissions data, and progressively expand the coverage of Scope 3 emissions categories where appropriate. Through these efforts, the Group aims to strengthen environmental data management, enhance climate-related disclosures and support its long-term sustainability objectives while reducing its overall carbon footprint.

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Scope 3 category	Description	Calculation method	Emissions for FY2025/26
Category 1 — Purchased goods and services	Emissions arising from purchased or acquired goods and services during transaction and transportation	A spend-based method was adopted, under which emissions were calculated based on expenditure on purchased goods and services and the application of third-party emission factors	33,310 tonnes CO ₂ e
Category 2 — Capital goods	Emissions associated with the acquisition of capital goods, including those generated during the manufacturing and transportation of assets purchased by the Group.	A spend-based method was applied, whereby emissions were estimated based on expenditure on capital goods and the use of relevant third-party emission factors.	4,486 tonnes CO ₂ e
Category 11 — Use of sold products	Emissions arising from the use of products sold by the Group over their operational lifetime.	Emissions were estimated based on industry research on the carbon footprint of similar products, supplemented by emissions data provided by suppliers, to reflect the downstream impact of product usage.	2,927 tonnes CO ₂ e

Further information on the Group's Scope 1, Scope 2 and Scope 3 GHG emissions are set out in the Key Performance Indicators — Environmental Performance section of this Report.

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Appendix: New climate disclosure requirements

The following tables present the updated climate-related disclosure requirements introduced by the Hong Kong Stock Exchange under Part D of the ESG Code. These obligations are addressed in the Climate Change section of this Report.

Core content	Section
Governance	
Paragraph 19	
An issuer shall disclose information about:	
(a) The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about: (i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; (ii) how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; (iii) how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; (iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see Paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see Paragraph 35); and (b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: (i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and (ii) whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Climate change — 1. Climate governance

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Core content	Section
Strategy	
Climate-related risks and opportunities	
Paragraph 20	
An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:	
(a) describe climate-related risks and opportunities that could reasonably be expected to affect cash flows, its access to finance or cost of capital over the short, medium or long term; (b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; (c) specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons — short, medium or long term — the effects of each climate-related risk and opportunity could reasonably be expected to occur; and (d) explain how the issuer defines 'short term', 'medium term' and 'long term' and these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	Climate change — 2. Strategy
Business model and value chain	
Paragraph 21	
An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:	
(a) a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and (b) a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	Climate change — 2. Strategy

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Core content	Section
Strategy and decision-making	
Paragraph 22	
An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:	
(a) information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about: (i) current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities; (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect); (iii) any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; (iv) how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (in any)), described in accordance with paragraphs 37 to 40; and (b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	Climate change — 2. Strategy
Paragraph 23	
An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	Climate Change — 2. Strategy

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Core content	Section
Financial position, financial performance and cash flows	
Paragraph 24 — Current financial effect	
An issuer shall disclose qualitative and quantitative information about:	
(a) how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and (b) the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	Currently, only qualitative information is disclosed. The Group plans to evaluate the inclusion of quantitative assessments of climate-related risks and opportunities in future reports.
Paragraph 25 — Anticipated financial effect	
The issuer shall provide qualitative and quantitative disclosures about:	
(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: (i) its investment and disposal plans; and (ii) its planned sources of funding to implement its strategy; and (b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	Currently, only qualitative information is disclosed. The Group plans to evaluate the inclusion of quantitative assessments of climate-related risks and opportunities in future reports.

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Core content	Section
Climate resilience	
Paragraph 26	
An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:	
(a) the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of: (i) the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; (ii) the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and (iii) the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; (b) how and when the climate-related scenario analysis was carried out, including: (i) information about the inputs used, including: (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and (7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis); (ii) the key assumptions the issuer made in the analysis; and (iii) the reporting period in which the climate-related scenario analysis was carried out.	Climate change — 2. Strategy

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Core content	Section
Risk management	
Paragraph 27	
An issuer shall disclose information about:	
(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about: (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) how the issuer monitors climate-related risks; and (vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period; (b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and (c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	Climate change – 3. Risk management
Metrics and targets	
Greenhouse gas emissions	
Paragraph 28	
An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO ₂ equivalent, classified as:	
(a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emission.	Climate change — 4. Metrics and targets

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Core content	Section
Paragraph 29	
An issuer shall:	
(a) measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; (b) disclose the approach it uses to measure its greenhouse gas emissions including: (i) the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions; (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; (c) for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and (d) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	Climate change — 4. Metrics and targets
Climate-related transition risks	
Paragraph 30	
An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Currently, only qualitative information is disclosed. The Group plans to evaluate the inclusion of quantitative assessments of climate-related risks and opportunities in future reports.
Climate-related physical risks	
Paragraph 31	
An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Currently, only qualitative information is disclosed. The Group plans to evaluate the inclusion of quantitative assessments of climate-related risks and opportunities in future reports.

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Core content	Section
Climate-related opportunities	
Paragraph 32	
An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	Currently, only qualitative information is disclosed. The Group plans to evaluate the inclusion of quantitative assessments of climate-related risks and opportunities in future reports.
Capital deployment	
Paragraph 33	
An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	Currently, only qualitative information is disclosed. The Group plans to evaluate the inclusion of quantitative assessments of climate-related risks and opportunities in future reports.
Internal carbon prices	
Paragraph 34	
An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	The Group does not currently incorporate internal carbon pricing into its decision-making processes.
Remuneration	
Paragraph 35	
An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	The Group is in the process of assessing its remuneration policy and plan to update the progress in the future reports.

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Core content	Section
Industry-based metrics	
Paragraph 36	
An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	The Group will assess its feasibility in referencing industry-based metrics in future reports.
Climate-related targets	
Paragraph 37	
An issuer shall disclose (a) the quantitative and qualitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals, and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:	
(a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	The Group is in the process of assessing its climate-related target setting approach and plan to incorporate the progress in the future reports.
Paragraph 38	
An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:	
(a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions.	The Group is in the process of assessing its climate-related target setting approach and plan to incorporate the progress in the future reports.

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Core content	Section
Paragraph 39	
An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	ESG Report — Key performance indicators — Environmental performance
Paragraph 40	
For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:	
(a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target; (c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	The Group is in the process of assessing its climate-related target setting approach and plan to incorporate the progress in the future reports. The Group has not purchased carbon credits to offset its emissions in the reporting period.
Applicability of cross-industry metrics and industry-based metrics	
Paragraph 41	
In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	The Group has assessed the applicability of cross-industry metrics and deemed it insignificant afterwards.

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Employment and labor practices

Strategic overview

People as strategic enabler: Our workforce is the cornerstone of SmarTone's digital and customer-centric transformation. We align our people strategy with our ESG and innovation goals to drive sustainable growth and long-term value to all our stakeholders.

Talent attraction and employment

At SmarTone, we understand that our people are our greatest asset, and we are committed to attracting the best talent in the industry. Our talent attraction strategy is designed to identify and engage top candidates who align with our company values and culture.

- **Branding:**

We maintain a strong employer brand to position SmarTone as an employer of choice. This includes showcasing our positive work environment, and commitment to employee development on platforms such as LinkedIn and in-person events such as the Global Talent Carnival and Top Talent Recruitment Exhibition.

- **Remuneration:**

We offer competitive salaries and comprehensive benefits packages to attract high-caliber professionals. We regularly review our compensation structures to ensure they remain attractive and fair.

- **Benefits:**

Our benefits program includes health insurance, wellness initiatives, flexible working arrangements, family leaves, birthday leaves, rental reimbursement and other perks that enhance the overall employee experience.

- **Discretionary bonus:**

We provide performance-based bonuses to reward exceptional contributions and motivate our employees to achieve their best.

Talent development

We believe that the continuous development of our employees is essential for fostering innovation and achieving our strategic objectives. Our talent development initiatives are designed to enhance the skills and capabilities of our workforce, enabling them to thrive in a rapidly evolving digital landscape.

- **Training and upskilling:**

We invest in upskilling our employees. These training programs cover a wide range of topics, including on-boarding training, customer-centricity, technical skills, digital literacy, cybersecurity and leadership development.

- **Leadership development:**

We organize regular management offsite events, where our leaders and managers come together to collaborate, share insights, and develop strategies for tackling the challenges ahead. These offsite sessions are instrumental in fostering a culture of continuous learning and strategic thinking.

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● Internal mobility and career progression:

We promote internal mobility and provide clear career progression paths to retain top talent. By offering opportunities for growth and advancement within the company, we aim to utilize internal promotions to fill our positions. This approach not only helps us retain valuable employees but also reinforces our commitment to their professional development and retain the SmarTone DNA.

Through our 3-pronged approach to talent development, SmarTone is committed to cultivating a high-performing, agile, and innovative workforce that is well-equipped to drive the company's success in the years to come.

Culture and engagement

A vibrant and inclusive company culture is at the heart of SmarTone. We believe that engaged employees are not only more productive but also contribute to a positive work environment and the achievement of our strategic goals.

● Employee engagement:

To regularly gauge the satisfaction and engagement levels of our employees, we conduct comprehensive employee engagement surveys annually. In addition, we have arranged shop visits for our management team to understand frontline situation. These surveys and visits provide valuable insights into areas where SmarTone as an employer are performing well and highlight opportunities for improvement. The feedback from these surveys is instrumental in shaping our policies, programs, and initiatives, ensuring they align with the needs and expectations of our workforce.

● Open communication:

We foster a culture of open and transparent communication, where employees feel empowered to voice their opinions and share their ideas. Through regular town hall meetings, team huddles, and an open-door policy, we encourage dialogue at all levels of the organization. This open communication framework helps build trust, enhances collaboration, and ensures that everyone is aligned with the company's vision and goals.

● Interest groups and clubs:

We encourage employees to join or form interest groups and clubs based on shared hobbies and passions. From coffee clubs, hiking activities, badminton tournaments and running clubs, these provide a platform for employees to pursue their interests, develop new friendships, and enjoy their time outside of work.

● Volunteer initiatives:

As part of our commitment to social responsibility, SmarTone organizes volunteer activities that allow employees to give back to the community. Participation in charitable events, environmental conservation efforts, and local outreach programs not only benefits society but also instills a sense of purpose and fulfillment among employees.

● Performance management:

At SmarTone, we have a robust performance management system that aims to recognize and reward outstanding performance while providing support and development opportunities for all employees. Our performance management process includes setting clear objectives, providing regular feedback, and conducting annual performance appraisals. By aligning individual goals with the company's strategic objectives, we ensure that every employee understands their role in driving the company's success.

Through our commitment to a strong culture and engagement, SmarTone creates a supportive environment where employees are motivated to excel and contribute to the company's growth and innovation.

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Diversity, equity and inclusion

At SmarTone, we are dedicated to fostering a diverse, equitable, and inclusive workplace that reflects the rich diversity of our clientele. We believe that embracing diverse perspectives and backgrounds drives innovation, enhances creativity, and strengthens our company culture.

● Gender and age metrics:

We actively track and report our gender and age demographics to ensure balanced representation across all levels of the organization. Currently, our workforce comprises approximately 35% women and 65% men. In terms of age diversity, our employees span from early-career professionals in their 20s to experienced veterans in their 50s and beyond. This varied age distribution enriches our teams with a blend of fresh perspectives and seasoned expertise.

● Inclusive hiring practices:

Our recruitment strategies are designed to attract and hire individuals from diverse backgrounds, ensuring that we mirror the diversity of our clients. We use inclusive job descriptions, engage with diverse talent pools, and implement unbiased recruitment processes. Our commitment to diversity extends to our partnerships with organizations that support underrepresented groups, ensuring that our hiring practices are equitable and inclusive.

By promoting diversity, equity, and inclusion (“DE&I”), we aim to create a workplace where every employee feels valued, respected, and empowered to contribute to SmarTone’s success. Our focus on DE&I is not just a corporate responsibility but a strategic advantage that enables us to better serve our diverse client base and drive sustainable growth.

Employee well-being

At SmarTone, we prioritize the well-being of our employees by fostering a healthy and safe work environment. We recognize that the physical and mental health of our workforce is fundamental to their productivity, engagement, and overall job satisfaction.

● Safety standards:

Ensuring the safety of our employees is a top priority. We are committed to adhere to stringent safety standards and protocols across all our locations. Regular safety drills, training sessions, and audits are conducted to maintain a secure workplace.

● Mental wellness:

Mental health is also equally important to us, and we strive to create a supportive atmosphere where employees can thrive. Our Employee Assistance Program (EAP) provides confidential counseling services and resources for those in need. Regular workshops on stress management, mindfulness, and mental resilience are conducted to equip employees with the tools to manage their mental well-being effectively.

● Flexible work arrangements:

Our flexible work policies accommodate the diverse needs of our workforce, with options for remote work and flexible hours.

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● **Health initiatives:**

We have implemented various health initiatives to support our employees' physical well-being. These include comprehensive health insurance plans, massaging and physio consultations, that promote a balanced lifestyle. Additionally, we organize activities such as badminton and running events to encourage a healthy and active lifestyle.

By investing in the well-being, health, and safety of our employees, SmarTone cultivates a work environment where individuals can flourish, knowing their well-being is valued. This commitment not only enhances employee morale but also drives the sustained success of our organization.

Future workforce readiness

● **AI and automation readiness:**

We prepare our workforce for the future by integrating AI and automation training, as Microsoft Copilot is being rolled out in the organization by phase.

● **Partnerships with universities or tech academies:**

We collaborate with educational institutions to attract and develop top talent, with partnerships with leading universities and tech academies in Hong Kong.

● **Internship and graduate programs:**

Our internship and graduate programs provide valuable opportunities for young professionals to start their careers at SmarTone, with over 13 interns and graduates hired annually.

To conclude, our people strategy is designed to support SmarTone's vision of becoming a leader in digital innovation and customer experience. By investing in our workforce, we ensure sustainable growth and create long-term value for our stakeholders.

Labor standards

Regarding labor standards, the Group adheres to applicable labor standards and strictly prohibits the use of child and forced labor in its operations. Our suppliers and contractors are expected to follow similar standards of labor practices when collaborating with us.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group in relation to (i) compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; (ii) the provision of a safe working environment and the protection of employees from occupational hazards; and (iii) the prevention of child and forced labor.

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Data privacy and cybersecurity

Customer data privacy

The Group adheres to the six principles of the Personal Data (Privacy) Ordinance (Cap.486) for protecting consumer data and ensuring:

- **Lawfulness, fairness, and transparency:**
Ensuring data collection practices are legal, fair, and transparent to data subjects.
- **Purpose limitation:**
Collecting data for specified, legitimate purposes and not processing it further in a manner incompatible with those purposes.
- **Data minimization:**
Collecting only the necessary data for the specified purposes.
- **Accuracy:**
Keeping personal data accurate and up to date.
- **Storage limitation:**
Retaining personal data only as long as necessary for the purposes it was collected.
- **Integrity and confidentiality:**
Ensuring appropriate security of personal data, including protection against unauthorized or unlawful processing and accidental loss, destruction, or damage

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The Group's Cyber Security Team defines the policy for protecting customer information. At the same time, the Information Services Division implements a range of controls to secure data against accidental or unlawful destruction, loss, alteration, unauthorized disclosure, or access. This policy covers digital data in systems and end-user computing devices, as well as the manual handling of non-digital data, such as hard copies. The policy is regularly reviewed and updated to comply with new laws, regulations, and the current systems and technology used by the Group. The Group implements vigorous data protection measures throughout the data lifecycle, which include:

- **Data creation:**

Ensuring only authorized users can create new data, often using multi-factor authentication (MFA) to enhance security.

- **Data storage:**

Employing privileged access management (PAM) to control and monitor access to sensitive data.

- **Data processing:**

Applying strict controls ensures data is processed securely and complies with relevant regulations.

- **Data transfer:**

Using encryption and secure transfer protocols to protect data in transit.

- **Data disposal:**

Ensuring secure deletion of data that is no longer needed to prevent unauthorized access

Our employees routinely handle or process personal data related to the Group's customers. They collect and use this information solely for legitimate regulatory, customer service, and business purposes. The Group is committed to:

- Taking all reasonable steps to keep personal data confidential, disclosing it only to personnel within the Group who need access for the purposes for which it was collected.
- Respecting all confidential and data protection obligations as stipulated in agreements between the Group and third parties.

The privacy policy is part of the Group's Code of Conduct for employees and is clearly outlined in the Employee Handbook, which all employees must strictly follow.

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Cybersecurity framework

The Group has established a cybersecurity framework with the strategy of multilayer defence to protect confidentiality, integrity, and availability of information system and data through people, processes, and technology. The layers of defense include:

- People, processes, policy, and practices
- Physical security (data centers, offices)
- Network perimeter security (internet-facing)
- Internal network security
- Endpoint security (workstations, servers, mobile devices, etc.)
- Application security
- Data security
- Training and Awareness

Information Security Committee

The Group has established an Information Security Committee ("ISC"), chaired by the Chief Technology Officer and Executive Director of the Group. The ISC comprises heads of technical divisions and members from the information security team. The ISC manages and oversees The Group's information security program, including policy development, risk management, incident response, awareness and training, monitoring and reporting, compliance and governance, collaboration and communication, technology oversight, and strategic planning. ISC also provides the necessary resources to support information security initiatives. It holds monthly meetings to review the latest cyber threats and risks, assess the effectiveness of implemented security controls, and plan further improvements. The Group has established detailed information security policies regularly evaluated by third parties or internally within the Group.

Emergency response plan

The safety and well-being of the employees, stakeholders, and the environment are top priorities. The emergency response plan involves participants from all levels of the organization, ensuring a coordinated and comprehensive response. Key personnel include:

- **Senior management:**
Oversees the emergency response strategy.
- **Emergency Response Team:**
Participates in annual drills and is trained to respond effectively to emergency scenarios.
- **Employees:**
Respond effectively to various emergency scenarios.

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The emergency response plan outlines clear procedures for identifying, managing, and mitigating incidents to prevent recurrence. Key procedures include:

- **Incident identification:** Instant detection and reporting of potential crises.
- **Incident management:** Swift and effective response to minimize impact and ensure continuity of operations.
- **Incident mitigation:** Measures to prevent recurrence and improve future response capabilities.
- **Communication protocols:** Clear guidelines for internal and external communication during emergencies.

To ensure preparedness, the Group conducts annual incident response drills that simulate various emergency scenarios, including those affecting mobile network availability, information systems and data breaches. Before these drills, the Group holds training sessions to raise awareness and educate employees on emergency response protocols. These drills and training sessions are designed to:

- **Test response capabilities:** Evaluate the effectiveness of our emergency response plan.
- **Enhance coordination:** Ensure seamless collaboration among all levels of the organization.
- **Improve preparedness:** Identify areas for improvement and implement necessary changes.
- **Scenario simulation:** Simulate various emergencies to cover different potential crises.
- **Feedback mechanism:** Collect participant feedback to refine and improve the emergency response plan.

Our emergency response plan emphasizes the critical role of technology in managing different stages throughout the cybersecurity incident management lifecycle to ensure the confidentiality, integrity, and availability of our operations. Key technological measures include:

- **Extended detection and response (XDR):**
The AI-powered XDR solution monitors endpoint devices and systems for suspicious activities and anomalies. It facilitates rapid response to threats at the endpoint level.
- **Intrusion detection and prevention systems (IDPS):**
The systems network traffic for suspicious activity and known threats in real time. They automatically respond to potential threats by alerting or blocking.
- **Vulnerability management tools:**
These tools identify and prioritize vulnerabilities within systems to reduce the attack surface. They support proactive measures to prevent incidents.
- **Security information and event management (SIEM):**
The tool centralizes logging and real-time analysis of security alerts generated by different applications, systems and network appliances. This tool supports rapid detection of security incidents while providing automatic remediation.

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- **Threat intelligence and incident response platform:**

The platform aggregates threat data from various sources to provide context and actionable insights for incident management. It enhances proactive threat identification and response.

- **Forensic tools:**

The tools are used to analyze compromised systems and gather evidence for post-incident management. They help in understanding the attack vector and impact for supporting incident eradication and recovery.

- **Data backup and recovery:**

State-of-the-art data backup and recovery solutions ensure data is reliably back up and support rapid recovery when necessary to minimize the operational risks.

Establishing effective communication channels

The Group is committed to establishing transparent and open communication channels and encourages employees to report any information security incidents or concerns. For this purpose, the Group provides the following communication channels: Intranet, Email. The Group encourages all employees to participate in reporting and responding to information security incidents actively and is committed to handling all reports promptly and effectively.

Continuous risk assessment and improvement

The Group conducts continuous risk assessment and improvement through regular external and internal information security assessments and audits.

Continuous threats and intelligence management are also in place to tackle emerging threats.

Security training and awareness

The Group provides comprehensive security training and promotions to all staff levels throughout the year to enhance their security awareness. These training sessions cover spear phishing, social engineering attacks, data and privacy protection, PCI DSS compliance, web browsing security, password security, and IoT security. Staff also receive reinforcement reminders and alerts as needed. Latest technology such as Generative AI and its inherent risks like identity data leakage were also addressed by providing relevant training and security tips to the staff.

To maintain their high security vigilance, all staff undergo regular email phishing simulations that mimic actual phishing attempts. Consistent security training is offered at all staff levels.

To promote continuous security culture and staff engagement, monthly newsletters covering the most up-to-date security threats, news, topics and tips are published to all staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

International security certifications

The Group has achieved ISO/IEC 27001:2022 certification for its Information Security Management System, reflecting that our security controls and practices meet the high industrial security standards. The Group also achieved compliance with the latest Payment Card Industry Data Security Standard (PCI DSS v4.0.1) version. These certifications demonstrate the determination and commitment of The Group to protect the personal and payment card data of our customers.

Industrial recognition

Building on last year's Platinum Rating, the Group has reached new heights by attaining the prestigious Diamond Rating in the 2025 Cyber Security Staff Awareness Recognition Scheme, co-organized by the Hong Kong Internet Registration Corporation Limited (HKIRC) and the Information Systems Audit and Control Association (ISACA). This scheme recognizes the strong commitment of participating organizations to cybersecurity, celebrating those that demonstrate excellence in fostering staff awareness and maintaining robust cyber resilience. This achievement further reinforces the Group's unwavering commitment to safeguarding customer data privacy and upholding the highest standards of cybersecurity.

Operating practices

Supply chain management

The Group has a fair and open process in dealing with vendors. We will conduct competitive bidding/tendering for purchase of products and services.

Vendors are required to register with the Company. During the registration process, the Company collects pertinent information about the vendors, including whether they have a green policy governing their business. The Company will carefully evaluate the information submitted by the vendors before accepting them for inclusion on the Company's approved vendor list. The vendor's green policy is one of the important factors that the Company will consider. The approved vendor list will be reviewed and updated on a regular basis.

The selection of the supply source is determined in a fair and unbiased manner. Due considerations are given to both technical and commercial aspects covering product quality, delivery commitment, satisfaction of service to meet our purchase needs as well as price performance. In evaluation of our supply source, credits will be given to vendors who have a corporate green policy for their products, production and manufacturing process in reducing wastage and protecting the environment.

During the year, we introduced a Vendor Code of Conduct, which sets out the standards and expectations governing the relationship between SmarTone and its vendors, reinforcing responsible supply chain management and supporting the delivery of our ESG mission.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product responsibility

We strive to adhere with all applicable laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to the products and services of the Group.

As holder of telecommunications licenses in Hong Kong, the Group takes proper and adequate safety measures for the safeguarding of life and property in connection with all installations, equipment and apparatus operated or used, including safeguarding against exposure to any electrical or radiation hazard emanating from the installations, equipment or apparatus operated or used by the Group. The Group complies with the safety standards and specifications as may from time to time be prescribed by the Communications Authority and any directions of the Authority in relation to any safety matter.

The Group strictly adheres to the requirements of the Trade Description Ordinance when conducting its business. Internal training, delivered by legal practitioners, has been given to staff who are responsible for sales and marketing.

The Group is primarily engaged in telecommunications services offering voice, multimedia and mobile broadband services, and re-selling of mobile devices and accessories of other manufacturers. Due to the nature of the Group's business, the risks of product recalls for safety and health reasons and infringement of intellectual property rights during the course of business are both minimal.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Anti-corruption, anti-fraud and whistleblowing

All employees are expected to conduct business lawfully and ethically and are prohibited from accepting, offering, promising or payment of bribes from or to any individuals, companies or government officials.

Employees are required to avoid any conflicts of interest, actual or potential, which will put the Group's interests and reputation at stake. All employees must declare to the Group any interest, direct or indirect, that they or members of their immediate family may have in any business or other organisations that would conflict with the interest of the Group.

The Group is committed to the prevention, detection, response, and reporting of fraud. Anti-fraud Policy is in place to safeguard the Company, customers, and partners against fraudulent activities like scams, identity theft, or misuse of services, fostering a culture of integrity, and complying with Hong Kong laws and regulations. It applies to all employees of the Company, and the Group encourages all business partners, including contractors and suppliers, to abide by the principles of this Policy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

While the Group has set in place policies, procedures, codes and guidelines to ensure that the highest standards of conduct and integrity are observed by employees, employees may still spot malpractice and wrongdoing within the Group during the course of employment. It is the obligation of all employees, including contractual, part-time and temporary employees, to report it in accordance with the reporting procedures set out in the Whistleblowing Policy, which aims to provide a secured and confidential channel for employees to report such cases directly to the CEO and the Audit Committee via a designated Whistleblowing Officer. We provide whistleblowing channels not only for our employees but also for external parties such as customers and suppliers, allowing them to confidentially and anonymously report any concerns about potential improprieties related to the Group. The Group respects the confidentiality of any concern raised and will not reveal the name or position of the complainant in any form of correspondence or investigation report, unless there is a need to do so by law. The Group will also take appropriate and commensurate actions against any person(s) who take retaliatory actions against the complainant, or unauthorized disclosure of the complainant's identity or details of the complaint, or false or malicious allegations for personal gain or other improper motives. Details of the whistleblowing procedures for external parties are available on the corporate website of SmarTone.

The above-mentioned policies on bribes, conflicts of interest, anti-fraud and whistleblowing form part of the Group's Code of Conduct for employees and are clearly set out in the Employee Handbook. All employees are required to strictly follow.

All new SmarTone employees are required to attend anti-corruption training conducted by the Independent Commission Against Corruption ("ICAC") upon joining SmarTone. In addition, all employees are invited to participate in ICAC's business ethics seminars organized by Sun Hung Kai Properties Group from time to time.

Regulatory compliance

During the year under review, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community

SmarTone is committed to connecting communities through technology and creating positive impact for a more sustainable, inclusive and digitally intelligent future. As a trusted partner in customers' digital lives, we strive to safeguard customer data privacy, strengthen protection against cybersecurity risks and help the public participate safely and confidently in the digital world. We also promote digital inclusion by enhancing access to connectivity, supporting customers and families in adopting new technologies, and encouraging youth interest in innovation and future skills. Leveraging our technological expertise, network capabilities and employees' volunteer time, we continue to support community initiatives and social service activities that help build a more connected, resilient and inclusive society.

Cybersecurity awareness and education

Protecting customers' data privacy and digital safety remains a core priority for SmarTone. As scams and cybersecurity threats become increasingly sophisticated, including impersonation scams and AI-enabled fraud, we continued to strengthen our customer protection measures and public education efforts to help customers stay vigilant and participate safely in digital life.

During the year, SmarTone participated in the Anti-Scam Consumer Protection Charter 3.0, a cross-sector initiative involving financial regulators, telecommunications operators and technology firms to combat financial fraud and scams targeting the Hong Kong public. Through this collaborative framework, we continued to support wider industry efforts to raise public awareness, strengthen reporting channels and promote a safer digital environment.

Proactive measures to protect customers from scams and cybersecurity threats

To enhance customer protection, SmarTone maintained a comprehensive suite of anti-scam and cybersecurity measures across different customer touchpoints. These include our Staff Verification Code, which helps customers authenticate SmarTone staff identity over the phone; Phishing Alertter, which uses big data analytics and machine learning to identify suspicious SMS messages at the network level and issue timely alerts; and our 24/7 Anti-scam WhatsApp Hotline for reporting and verifying suspicious calls, messages and websites. We also reinforced trusted communication practices through officially verified SmarTone WhatsApp and social media accounts, registered SMS sender IDs with the “#” prefix, and the use of official domain names in customer communications.

SmarTone continued to strengthen digital protection for customers and families through both network-level safeguards and family-focused solutions. Our Call Guard and Data Guard services helped customers reduce exposure to junk calls, suspicious links, data leakage risks and other online threats, while the launch of Kids CARE extended our protection efforts to children's digital journeys by supporting parents in managing screen time, content access and safe connectivity. Together with public awareness measures such as voice alerts for overseas calls and newly activated prepaid SIM cards, these initiatives helped customers and families participate in digital life with greater confidence.

SmarTone also continued to promote cybersecurity awareness through sustained customer education and communications. Building on the “Love Protects, So Do We” campaign, we maintained ongoing reminders and practical guidance to help customers stay vigilant against evolving scams and protect their families, especially the elderly and children. Through social media, video content, SMS alerts, retail touchpoints and other communication channels, we continued to reinforce cyber awareness and contribute to a safer, more resilient digital community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advancing smart city with 5G and innovative technology

SmarTone continued to promote digital inclusion and community connectivity through innovative 5G solutions and customer-focused technology initiatives. We expanded our AI workshops and customer education programmes to help customers build practical AI skills and confidently embrace new technologies. We also pioneered AI Connect, a first-in-Hong-Kong service that enables seamless access to leading global AI platforms, empowering customers to unlock the potential of AI in their daily lives.

SmarTone also supported Hong Kong's development as a hub for international sports, arts and cultural activities through advanced connectivity and smart technology solutions. Our support extended across major events and venues, including the FIP Silver Reap Tournament 2025, The Bridge+ UOB Art Academy and HKWALLS 2026, helping connect participants, artists, audiences and local communities through shared experiences and digital engagement. Together, these initiatives demonstrate how technology can foster community connections, encourage cultural participation and contribute to a more vibrant and inclusive city.

Digital inclusion

To help bridge the digital divide, SmarTone supported elderly smartphone workshops under the "Smart Silver" Digital Inclusion Programme for Elders, equipping seniors with practical skills in smartphone use, e-payments and online safety. By helping seniors use digital services with greater confidence, the initiative reinforced SmarTone's commitment to digital inclusion, accessibility and safe participation in the connected society.

Nurturing the youth

As a partner of the "Strive and Rise" mentorship programme, SmarTone continued to support underprivileged youth by broadening their horizons, fostering personal growth and providing exposure to future-ready skills through mentorship and technology-related learning opportunities.

To further inspire young people's interest in technology, SmarTone joined the CAHK ICT Open Day and hosted students from Shun Tak Fraternal Association Yung Yau College for an immersive mobile and AI technology experience. Through practical sharing and behind-the-scenes exposure to our network infrastructure, students gained a better understanding of the technologies powering Hong Kong's connectivity and the career opportunities within the ICT sector.

Supporting charities

SmarTone promotes mental health awareness by supporting Suicide Prevention Services, providing connectivity sponsorship for its counselling services. The Company also supported residents affected by the Wang Fuk Court incident by donating essential 5G communication equipment and mobilising volunteers support to assist with installation, helping residents restore connectivity during a critical time. These initiatives reflect SmarTone's commitment to community wellbeing, inclusion, and positive social impact.

In addition, SmarTone continues to support a range of charity events and fundraising initiatives across Hong Kong, reinforcing its longstanding commitment to social responsibility. The Company also encourages employees to take part in initiatives such as the Community Chest Corporate Challenge, fostering a culture of giving back and collective contribution to society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SmarTone Volunteer Service Team

SmarTone actively promotes a culture of volunteerism as a core element of our social responsibility strategy. Through the SmarTone Volunteer Service Team, coordinated by our Human Resources department, employees are encouraged to participate in a wide range of community initiatives, from elderly care and youth mentorship to environmental activities. These opportunities allow our people to contribute their time and skills directly to the community while gaining meaningful personal experiences.

Our longstanding dedication to volunteerism has been consistently recognized through the Caring Company Scheme award, which SmarTone has received every year since 2002/03.

During the year under review, SmarTone organized or participated in many social service activities, including the following:

- **Smartphone workshops**

We supported the HKSKH Elderly Smartphone Workshop, part of the Government's "Smart Silver" Digital Inclusion Programme for Elders. Our volunteers helped seniors use smartphones for everyday needs and helping the "Silver Generation" build confidence online.

- **Meals for the needy**

Our volunteers supported for Gingko House by assisting in the preparation and distribution of free meal boxes for the underprivileged. Gingko House is a social enterprise dedicated to promoting elderly employment, including hiring seniors to work in its restaurants. As part of its social service initiatives, Gingko House also provides free meals to those in need within the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators

Environmental performance

	Unit	Year ended 30 June 2026	Year ended 30 June 2025
Greenhouse gas (GHG) emissions			
Scope 1 — Direct emissions (Combustion of fuels in motor vehicles)	tonne CO ₂ e	68	75
Scope 2 — Indirect emissions (Use of electricity ¹)	tonne CO ₂ e	54,083	56,496
Total Scope 1 & 2 emissions	tonne CO ₂ e	54,151	56,571
Total Scope 1 & 2 emissions intensity	tonne CO ₂ e/ service revenue HK\$'000	0.0128	0.0128
Scope 3 — Other indirect emissions	tonne CO ₂ e	40,723	/
Scope 3 emissions intensity	tonne CO ₂ e/ total revenue HK\$'000	0.0062	/
Energy consumption			
Electricity	MWh	133,633	130,625
Gasoline and diesel	MWh	262	288
Total energy consumption	MWh	133,895	130,913
Total energy consumption intensity	MWh/ service revenue HK\$'000	0.0317	0.0296
Paper consumption			
Paper consumed (printing paper used during the course of business in offices, retail shops and stores)	kg	7,777	9,347
Paper recycled (all kinds of paper collected during the course of business and sent to recycling)	kg	8,106	7,765

Note:

1. Emission data in Scope 2 is calculated by multiplying electricity consumption and the emission factors from CLP Group or Hongkong Electric Company Limited.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social performance

	Unit	Year ended 30 June 2026	Year ended 30 June 2025
Employee profile			
Total workforce	no. of people	1,056	1,190
Total workforce by rank			
— Managerial	no. of people	301	324
— General	no. of people	755	866
Total workforce by gender			
— Female	no. of people	377	422
— Male	no. of people	679	768
Total workforce by age group			
— Under 30	no. of people	101	117
— 30–50	no. of people	663	715
— Above 50	no. of people	292	358
Total workforce by employment type			
— Full-time	no. of people	1,010	1,154
— Part-time	no. of people	46	36
Employee turnover			
Employee turnover rate	%	18%	22%
Employee turnover rate by gender			
— Female	%	16%	23%
— Male	%	19%	22%
Employee turnover rate by age group			
— Under 30	%	37%	43%
— 30–50	%	19%	24%
— Above 50	%	11%	10%
Occupational health and safety			
Work-related fatalities ¹	no. of people	0	0
Lost days due to work injury	days	15	178

Note:

1. There is no work-related fatality in each of the past three years including the year ended 30 June 2026.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social performance *(continued)*

	Unit	Year ended 30 June 2026	Year ended 30 June 2025
Development and training			
Total workforce trained	no. of people	1,025	915
Employee trained by employee category			
— Managerial	no. of people	292	310
— % of employees in this category	%	97%	96%
— General	no. of people	733	605
— % of employees in this category	%	97%	70%
Employee trained by gender			
— Female	no. of people	346	361
— % of employees of this gender	%	92%	86%
— Male	no. of people	679	554
— % of employee of this gender	%	100%	72%
Average training hours per employee by employee category			
— Managerial	hours/employee	5.5	5.4
— General	hours/employee	10.8	7.8
Average training hours per employee by gender			
— Female	hours/employee	6.3	6.4
— Male	hours/employee	10.8	7.4
Supply Chain Management			
Number of approved suppliers by geographical location			
— Local	no.	225	225
— Overseas	no.	33	33
Product Responsibility			
Number of complaints received ¹	no. of cases	178	229

Note:

1. This represents the number of complaint cases received from outside sources including the Office of the Communications Authority and the Consumer Council.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

The Directors submit their report together with the audited financial statements for the year ended 30 June 2026.

Principal activities

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

Business review

The Chairman's Statement on pages 8 to 10 and the Management Discussion and Analysis on pages 11 to 13 of this Annual Report provide a fair review of the Group's business for the year and indication of likely future development in the Group's business. The discussion thereon forms part of this Report of the Directors.

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

(i) Principal risks and uncertainties facing the Group

As set out in the section "Risk management and internal control systems" of the Corporate Governance Report on pages 26 to 27, effective risk management framework is in place to provide a consistent approach on the risk management process in identification, assessment, treatment and reporting of all the risks which are critical to the Group's operations and business.

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

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

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

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

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

(ii) Environmental policies and performance

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

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

(iii) Compliance with laws and regulations

The Group recognizes the importance of compliance with legal and regulatory requirements and the risks of non-compliance with such requirements. The Group conducts on-going review of newly enacted/revised laws and regulations affecting the operations of the Group and provides relevant training and guidance to staff. To the best knowledge of the Directors, the Group has complied in all material respects the relevant laws and regulations that have significant impact on the operations of the Group for the year ended 30 June 2026.

(iv) Relationship with employees

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

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

(v) Relationship with customers

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

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

(vi) Relationship with suppliers

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

Results

The results of the Group for the year ended 30 June 2026 are set out in the consolidated profit and loss account on page 114.

Dividend

The Directors recommended the payment of a final dividend for the year ended 30 June 2026 of \$0.175 per share (2024/25: \$0.175 per share). The proposed final dividend, together with the interim dividend of \$0.145 per share paid by the Company during the year (2024/25: \$0.145 per share), makes a total dividend for the year of \$0.32 per share (2024/25: \$0.32 per share).

Five years financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is shown on page 108.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Distributable reserves

Distributable reserves of the Company at 30 June 2026, calculated under the Company's Bye-laws and the Bermuda laws, amounted to \$742,788,000 (30 June 2025: \$741,535,000).

Donations

During the year, the Group did not make any charitable or other donations (2024/25: Nil).

Share capital

Details of the movements in share capital of the Company are shown in note 35 to the consolidated financial statements.

Directors

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

* Mr. Kwok Ping-luen, Raymond <i>Chairman</i>	** Dr. Li Ka-cheung, Eric, JP
* Mr. Cheung Wing-yui <i>Deputy Chairman</i>	** Mr. Ng Leung-sing, JP
Mr. Fung Yuk-lun, Allen <i>Deputy Chairman</i>	** Mr. Gan Fock-kin, Eric
Ms. Lau Yeuk-hung, Fiona <i>Chief Executive Officer</i>	** Mr. Lam Kwok-fung, Kenny
Mr. Chau Kam-kun, Stephen	** Mr. Lee Yau-tat, Samuel
* Mr. David Norman Prince	** Mr. Peter Kung
* Mr. Siu Hon-wah, Thomas	
* Dr. Poon Sun-cheong, Patrick	
* Mr. Wong Hong-kit ¹	
* <i>Non-Executive Director</i>	
** <i>Independent Non-Executive Director</i>	

Note:

1. Mr. Wong Hong-kit was appointed as a Non-Executive Director of the Company with effect from 28 November 2025.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

In accordance with Bye-law No. 84 of the Company's Bye-laws, Mr. Fung Yuk-lun, Allen, Mr. Chau Kam-kun, Stephen, Mr. David Norman Prince, Mr. Ng Leung-sing and Mr. Lam Kwok-fung, Kenny retire by rotation at the forthcoming annual general meeting. In accordance with Bye-law No. 83(2), Mr. Wong Hong-kit also retires at the forthcoming annual general meeting. All retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

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

Directors' emoluments

The directors' fees payable to the Directors of the Company are determined by the Board under the authority granted by shareholders at annual general meetings. The fees are subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong. Other emoluments, if any, payable to the Directors of the Company are based on the terms of the respective service contracts. Details of the emoluments paid and payable to the Directors of the Company for the financial year ended 30 June 2026 are shown in note 41 to the consolidated financial statements.

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

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

Biographical details of Directors

Brief biographical details of the Directors are set out on pages 95 to 103.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Directors' and chief executive's interests

As at 30 June 2026, 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 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 ¹	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 ² (Personal interests in share options)	4,000,000	0.36
Chau Kam-kun, Stephen	146,000	11,000 ³	157,000	–	157,000	0.01

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in the Company by virtue of him being a beneficiary of a discretionary trust for the purpose of Part XV of the SFO.
2. These underlying shares of the Company held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company under its share option scheme. Details of these share options and their movements during the year ended 30 June 2026 are set out in the section titled "Share option scheme".
3. These shares in the Company were held by the spouse of Mr. Chau Kam-kun, Stephen.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

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

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	188,743	599,745,520 ¹ 1,580,000 ²	601,514,263	–	601,514,263 ³	20.76
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 ⁴	7,000	–	7,000	0.00
Li Ka-cheung, Eric	–	4,028 ⁵	4,028	–	4,028	0.00

Notes:

1. Mr. Kwok Ping-luen, Raymond was deemed to be interested in 42,317,805 shares in SHKP by virtue of him being a founder and a beneficiary of two discretionary trusts and 557,427,715 shares in SHKP by virtue of him being a beneficiary of a discretionary trust 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. No disposal of shares in SHKP by the Kwok family had been involved despite the fact that the number of shares that Mr. Kwok Ping-luen, Raymond was deemed to be interested in had dropped as compared with the situation as disclosed in the 2025/26 Interim Report of the Company. The reduction was purely technical in nature as a result of certain internal restructuring of the family trusts and the total number of shares in which the Kwok family was deemed to be interested had remained the same both before and after the internal restructuring.
4. These shares in SHKP were held jointly by Mr. Siu Hon-wah, Thomas and his spouse.
5. These shares in SHKP were held by the spouse of Dr. Li Ka-cheung, Eric.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

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

Name of Director	Number of shares held			Number of underlying shares held under equity derivatives	Total	% of issued voting shares
	Personal interests (held as beneficial owner)	Other interests	Total			
Kwok Ping-luen, Raymond	–	3,485,000 ¹	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	4,000,000	–	4,000,000	8,000,000 ²	12,000,000	0.51
Lau Yeuk-hung, Fiona	–	–	–	1,200,000 ²	1,200,000	0.05
Chau Kam-kun, Stephen	50,000	–	50,000	–	50,000	0.00
Wong Hong-kit	–	–	–	800,000 ²	800,000	0.03

Notes:

- 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.
- These underlying shares of SUNeVision held under equity derivatives 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 and their movements during the year ended 30 June 2026 were as follows:

Name of Director	Date of grant	Exercise price \$	Exercise period *	Number of share options				Balance as at 30 June 2026
				Balance as at 1 July 2025	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	
Fung Yuk-lun, Allen	4 May 2022	6.532	4 May 2023 to 3 May 2027	4,000,000	–	–	–	4,000,000
	26 May 2025	6.250	26 May 2026 to 25 May 2030	4,000,000	–	–	–	4,000,000
Lau Yeuk-hung, Fiona	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
Wong Hong-kit	26 May 2025	6.250	26 May 2026 to 25 May 2030	800,000	–	–	–	800,000

- * 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.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

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

Name of associated corporation	Actual shares held through corporation	Actual % of interests in issued voting shares
Hung Carom Company Limited	25 ¹	25.00
Tinyau Company Limited	1 ¹	50.00
Open Step Limited	8 ¹	80.00
Vivid Synergy Limited	963,536,900 ¹	20.00

Note:

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

Save as disclosed above, as at 30 June 2026, 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.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

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.

1. Movements of share options

Movements of the share options granted to the participants pursuant to the Share Option Scheme during the year ended 30 June 2026 were as follows:

Grantee	Date of grant	Exercise price \$	Exercise period	Number of share options					Balance as at 30 June 2026
				Balance as at 1 July 2025	Granted during the year	Exercised during the year	Canceled during the year	Lapsed during the year	
Director									
Lau Yeuk-hung, Fiona	21 April 2023	4.964	21 April 2024 to 20 April 2028 ¹	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 year.

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 2025 and 30 June 2026.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

2. Principal terms of the Share Option Scheme

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

(a) Purpose

The purpose of the Share Option Scheme is to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-caliber employees and attract human resources that are valuable to the Group or are expected to be able to contribute to the business development of the Group.

(b) Participants

Any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any director of the Company or any of its subsidiaries who has made valuable contributions to the growth of the Group based on his/her work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the Share Option Scheme.

(c) Maximum number of shares available for issue

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

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

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

On 3 September 2026, the number of shares available for issue in respect thereof is 109,898,860 shares which represents approximately 9.98% of the issued shares of the Company.

(d) Maximum entitlement of each participant

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

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

(e) Time of exercise of option

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

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

(f) Payment on acceptance of option

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

(g) Basis of determining the subscription price

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

(h) Remaining life

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

Share award scheme

A share award scheme (the "Share Award Scheme") was adopted by the Board on 29 June 2018 (the "Adoption Date") as an incentive arrangement to recognize the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. Pursuant to the rules of the scheme (the "Scheme Rules"), shares of the Company will be acquired by a trustee from the market 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.

There were no unvested awarded shares as of 1 July 2025. No shares were granted, vested, canceled or lapsed under the Share Award Scheme during the year ended 30 June 2026.

The number of shares available for grant under the scheme mandate of the Share Award Scheme was 107,171,217 on both 1 July 2025 and 30 June 2026.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Principal terms of the Share Award Scheme

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

(a) Purpose and objectives

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

(b) Administration

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

(c) Duration

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

(d) Maximum limit

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

(e) Operation of the Share Award Scheme

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

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

When a selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and becomes entitled to the shares forming the subject of the award, the trustee shall transfer the relevant awarded shares to that selected employee. The selected employees are not required to pay any purchase price for the transfer of the vested shares.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

(f) Vesting and Lapse

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

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

(g) Voting Rights

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

(h) Termination

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

Interests of substantial shareholders

As at 30 June 2026, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long positions in shares of the Company

Name	Total number of shares	% of issued voting shares
Sun Hung Kai Properties Limited ("SHKP") ¹	806,362,555	73.24%
HSBC Trustee (C.I.) Limited ("HSBCCI") ²	807,292,867	73.33%

Notes:

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

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

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

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Save as disclosed above, as at 30 June 2026, 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.

Arrangement to acquire shares or debentures

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

Directors’ interests in competing business

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

Permitted indemnity provision

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

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

Sufficiency of public float

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

Purchase, sale or redemption of shares

At no time during the year ended 30 June 2026 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s shares.

Pre-emptive rights

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

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

Equity-linked agreements

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

Management contracts

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

Major suppliers and customers

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

Percentage of purchases attributable to the Group's largest supplier	38%
Percentage of purchases attributable to the Group's five largest suppliers	50%

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

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

Connected transactions

1. Certain related party transactions as disclosed in note 39 to the consolidated financial statements also constitute connected transactions. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into and/or are continuing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.
 - (a) Certain subsidiaries and associated companies of SHKP, the controlling shareholder of the Company, have leased premises to the Group for use as offices, retail stores and warehouses and have granted licenses to the Group for the installation of base stations, antennae and telephone cables on certain premises owned by them. During the year ended 30 June 2026, the aggregate amounts of right-of-use assets acquired and the payments recognized as expenses under such leases and licenses were \$66,051,000 and \$22,700,000 respectively.
 - (b) Sun Hung Kai Properties Insurance Limited, a wholly-owned subsidiary of SHKP, provides general insurance services to the Group. For the year ended 30 June 2026, insurance premiums paid and payable were \$3,343,000.
 - (c) The Group provides technical services for the properties owned or managed by certain subsidiaries and associated companies of SHKP for enhancement of mobile coverage in the properties. For the year ended 30 June 2026, the revenue received or receivable by the Group was \$22,116,000.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

- (d) The Group provides information and communication technology (ICT) solutions to certain subsidiaries and associated companies of SHKP covering, among others, business digitalization, connectivity and industry-specific solutions. For the year ended 30 June 2026, the revenue received or receivable was \$137,033,000.

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

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

2. At 30 June 2026, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

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

Auditor

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

On behalf of the Board

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 3 September 2026

DIRECTORS PROFILE

KWOK Ping-uen, Raymond *Chairman & Non-Executive Director (Age: 73)*

Mr. Raymond Kwok has been with the Group since April 1992 and was appointed Director of the Company in October 1996. He is also the chairman of the Board Supervisory Committee of the Company and a director of certain subsidiaries of the Company. Mr. Kwok 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 (Chapter 571 of the laws of Hong Kong). 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.

CHEUNG Wing-yui *Deputy Chairman & Non-Executive Director (Age: 76)*

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, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Mr. Cheung was a non-executive director of Tianjin Development Holdings Limited.

Mr. Cheung is currently 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 a court member and deputy chairman of the council of Hong Kong Metropolitan University and a member of its Sponsorship & Development Fund Committee, 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.

DIRECTORS PROFILE

FUNG Yuk-lun, Allen *Deputy Chairman & Executive Director (Age: 58)*

Mr. Allen Fung was appointed Non-Executive Director of the Company in December 2013 and was redesignated as Executive Director in August 2020. He is also a member of the Board Supervisory Committee and the Remuneration Committee of the Company, and a director of certain subsidiaries of the Company. 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. From 1996 to 1997, Mr. Fung was a visiting Assistant Professor of History at Brown University. From 1997 to 2013, He worked in McKinsey & Company Hong Kong, where he became the managing partner and director.

Mr. Fung is an executive director and a member of the executive committee of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), 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. He is also 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, and the vice president of The Hong Kong Federation of Youth Groups. He has also been elected a professor of practice at The Hong Kong Management Association and a member of its Executive Committee.

LAU Yeuk-hung, Fiona *Executive Director & Chief Executive Officer (Age: 44)*

Ms. Fiona Lau has been an Executive Director and the Chief Executive Officer of the Company since February 2023. Ms. Lau is also a member of the Board Supervisory Committee of the Company and a director of certain subsidiaries of the Company. Ms. Lau holds a Bachelor of Arts degree in Philosophy from The University of Chicago.

Prior to joining the Company, Ms. Lau was the chief commercial officer of SUNeVision Holdings Ltd. ("SUNeVision") and had taken up various leadership roles in business development, corporate strategy, sales and marketing, product development and investor relations. Ms. Lau was a director of SUNeVision during the period from October 2019 to April 2025.

Ms. Lau joined Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in June 2017. Prior to joining SHKP, Ms. Lau was a director at BlackRock Asset Management (North Asia), where she held various senior positions across the chairman's office, corporate strategy, and retail and private banking functions during 2010 to 2017. From 2005 to 2010, she worked in McKinsey & Company and held the position of engagement manager.

Ms. Lau has been an independent non-executive director of Octopus Holdings Limited, Octopus Cards Limited and Octopus Cards Client Funds Limited since January 2025. She is also a member of the Remuneration Committee thereof.

DIRECTORS PROFILE

CHAU Kam-kun, Stephen *Executive Director (Age: 65)*

Mr. Stephen Chau was appointed Executive Director of the Company in April 2015. He is also a member of the Board Supervisory Committee of the Company and a director of certain subsidiaries of the Company. Mr. Chau is a member of The Institution of Engineering and Technology (IET), UK, and a Chartered Engineer registered with the Engineering Council, UK.

Mr. Chau 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.

Mr. Chau is a member of the Executive Committee of the Communications Association of Hong Kong (CAHK), and a member of the Advisory Committee of the Department of Electronic Engineering of The Chinese University of Hong Kong.

David Norman PRINCE *Non-Executive Director (Age: 75)*

Mr. David Prince was appointed Director of the Company in July 2005. He is also a member of the Board Supervisory Committee and the Nomination Committee of the Company. Mr. Prince has over 20 years' experience of operating at board level in an international environment. He is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK).

Mr. Prince 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, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Mr. Prince served as a non-executive director and a member of both the Audit and Governance Committees at Adecco SA, a global leader in human resources services, until his retirement in April 2024. During his tenure, he played a key role in establishing a joint venture with Beijing Foreign Enterprise Human Resources Service Co., Ltd. (FESCO) to provide HR services in China, and he also served as a member of the joint venture's board. In recognition of his contributions, Mr. Prince was honored in 2024 with the Magnolia Silver Award by the Shanghai Municipal People's Government.

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.

DIRECTORS PROFILE

SIU Hon-wah, Thomas *Non-Executive Director (Age: 73)*

Mr. Thomas Siu was appointed Director of the Company in July 2008. He is also a member of the Board Supervisory Committee of the Company. 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.

Mr. Siu was the managing director of Wilson Group (until June 2018), which is a major transport infrastructure services provider in Hong Kong and is wholly-owned by Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), and is currently a senior 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.

POON Sun-cheong, Patrick *Non-Executive Director (Age: 79)*

Dr. Patrick Poon, SBS, Hon DSocSc, Hon LLD, BSc, FIFA, was appointed Director of the Company in April 2024. Dr. Poon is Chairman of Shing Cheong Charitable Foundation Limited, Harvest SCP Group Company Limited and Master Insight Media Limited.

Dr. Poon has had a 40-year career in the life insurance industry since 1972, starting as an actuarial trainee at AIA Hong Kong. He qualified as a Fellow of the Institute of Actuaries in 1975 and served management and CEO positions in AIA, Aetna Taiwan, Aetna International, ING group and China Pacific Life Insurance before his retirement in 2011. He was Independent Non-Executive Director of Hang Seng Insurance Company Limited in Hong Kong (2012–2022).

Dr. Poon is a Governor of The Hang Seng University of Hong Kong and Chairman of its Foundation. He is also Honorary Chairman of The Hong Kong Polytechnic University Foundation and Deputy Chairman of The University of Hong Kong Foundation. He is Charter President of the Rotary Club of Hong Kong Harbour and President of The Association of Zhong Shan Siulamese in Hong Kong. He was Chairman of the Hong Kong Sinfonietta (2021–2023) and President of the Hong Kong Professionals and Senior Executives Association (2022–2024). Dr. Poon has been an independent consultant to Sun Hung Kai Real Estate Agency Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), since May 2024.

Dr. Poon is a well-known philanthropist with donations mainly in the area of supporting tertiary education and community service.

DIRECTORS PROFILE

WONG Hong-kit *Non-Executive Director (Age: 54)*

Mr. Wong Hong-kit was appointed Director of the Company in November 2025. He is also a member of the Board Supervisory Committee of the Company. Mr. Wong graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration, and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Wong has over 30 years of experience in the field of auditing, accounting and financial management. He is the Chief Financial Officer of non-property portfolio businesses of the Sun Hung Kai Properties Limited ("SHKP") group, overseeing the finance function of the non-property business units. Mr. Wong is also a director of certain subsidiaries of SHKP. SHKP is the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Mr. Wong is the alternate director to Mr. Kwok Ping-luen, Raymond of Transport International Holdings Limited and its subsidiaries, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. Mr. Wong is also a director of Octopus Holdings Limited.

Before joining the SHKP Group, Mr. Wong held key finance positions in several listed companies engaging in technology, media and telecommunications industry in Hong Kong. Mr. Wong has also accumulated 10 years' experience in PricewaterhouseCoopers.

LI Ka-cheung, Eric, JP *Independent Non-Executive Director (Age: 73)*

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. He is also chairman of the Remuneration Committee and the Audit Committee of the Company. 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, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He is also an independent non-executive director of Transport International Holdings Limited, Wong's International Holdings Limited and China Resources Beer (Holdings) Company Limited.

Dr. Li was 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.

DIRECTORS PROFILE

NG Leung-sing, JP *Independent Non-Executive Director (Age: 77)*

Mr. Ng Leung-sing was appointed Director of the Company in June 1997. He is also a member of the Remuneration Committee, the Nomination Committee and the Audit Committee of the Company. Mr. Ng is a director of BOCHK Charitable Foundation. He is also an independent non-executive director of Grand Brilliance Group Holdings Limited.

Mr. Ng was the chairman of Bank of China (Hong Kong) Trustees Limited from 2009 to 2025, 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, an independent non-executive director of Hanhua Financial Holding Co., Ltd. from 2013 to 2022, and an independent non-executive director of Nine Dragons Paper (Holdings) Limited from 2013 to December 2024.

Mr. Ng was a Hong Kong Deputy to the 10th, 11th, 12th and 13th National People's Congress of the People's Republic of China. He was appointed as the Justice of the Peace in 2001, and was awarded the Silver Bauhinia Star by the HKSAR government in 2004.

GAN Fock-kin, Eric *Independent Non-Executive Director (Age: 62)*

Mr. Eric Gan was appointed Director of the Company in December 2005. He is also chairman of the Nomination Committee and a member of the Board Supervisory Committee and Audit Committee of the Company.

Mr. Gan was 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.

DIRECTORS PROFILE

LAM Kwok-fung, Kenny *Independent Non-Executive Director (Age: 52)*

Mr. Kenny Lam has been an Independent Non-Executive Director of the Company, since March 2017. He obtained Bachelor's and Master's in Law degrees with honours from Oxford University and graduated *magna cum laude* with a Bachelor of Science in Finance from the Wharton School of the University of Pennsylvania, where he was a Joseph Wharton Scholar and a Benjamin Franklin Scholar.

Mr. Lam is currently a board member of Two Sigma Asia Pacific. Mr. Lam was the chief executive officer of Two Sigma Asia Pacific and Chairman of Two Sigma China. He oversaw all of Asia for Two Sigma. He is also an independent non-executive director of Sunevision Holdings Limited.

Mr. Lam was the group president of Noah Holdings Limited, a company listed on the New York Stock Exchange. Prior to joining Noah, Mr. Lam was a global partner at McKinsey & Company, where he co-led the Asia Financial Institutions Practice and headed the Asia Private Banking and Asset Management Practice. Mr. Lam also worked with the American law firm Shearman & Sterling in both New York and Hong Kong before.

Mr. Lam is a member of the Board of Advisors of the Wharton School of the University of Pennsylvania. He previously served as chairman of its Executive Board for Asia. Mr. Lam is co-chairman and co-founder of Melo Foundation, a Hong Kong-based charity for the empowerment of youth.

LEE Yau-tat, Samuel *Independent Non-Executive Director (Age: 59)*

Mr. Samuel Lee was appointed Director of the Company in April 2021. He holds a Bachelor of Arts degree in International Business from the City University of Hong Kong. With more than 25 years of experience 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.

Mr. Lee was the chief executive officer of Digital Edge DC until March 2025, and was currently a senior advisor to the company until March 2026. He co-founded Digital Edge DC in 2020 with an aim in transforming the data center business and building digital infrastructure platforms for businesses in Asia-Pacific. 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 to Sun Hung Kai Real Estate Agency Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), since September 2019.

DIRECTORS PROFILE

Peter KUNG *Independent Non-Executive Director (Age: 64)*

Mr. Peter Kung was appointed Director of the Company in March 2022. He is also a member of the Audit Committee of the Company. 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 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 is also a member of the Council of The Chinese University of Hong Kong and the chairman of its Audit and Risk Management Committee.

Mr. Kung is an independent non-executive director and chairman of the audit committee of ORIX Asia Limited, Kingboard Laminates Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited) and CCB International (Holdings) Limited. Mr. Kung is a member of the board and chairman of the audit committee of eBRAM, and a director of CUHK Medical Centre Limited and the chairman of its Audit and Risk Management Committee. He has been a China Tax Advisor to Sun Hung Kai Real Estate Agency Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), since October 2019.

DIRECTORS PROFILE

Notes:

Saved as disclosed in the Directors' respective biographical details under this section, the Directors (1) have not held any directorships in the last three years in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (2) do not hold any other positions in the Company or 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 for their service with the Company. Their terms of service 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 a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fees are subject to annual assessment based on the 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 service 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 term of service 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 the shareholders at annual general meetings. The fee is subject to annual assessment based on the 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 service 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 the 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 term of service 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 the shareholders at annual general meetings. The fee is subject to annual assessment based on the prevailing market rate of directors' fees for companies listed in Hong Kong.

The details of the emoluments of the Directors on a named basis for the year ended 30 June 2026 are disclosed in note 41 to the consolidated financial statements.

The Directors' interests in shares of the Company or any of its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance as at 30 June 2026 are disclosed in the "Directors' and chief executive's interests" section of the Report of the Directors on pages 83 to 86 of this Annual Report.

Senior management

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

STAFF ENGAGEMENT

1. Nurturing Talent

At SmarTone, our people are the driving force behind innovation and sustainable growth. As technology continues to reshape the future of work, we are committed to building an AI-ready workforce equipped with the skills, confidence and ethical mindset to succeed in an increasingly digital world. Through continuous learning, practical AI adoption and responsible governance, we empower our people to embrace new opportunities and contribute to long-term value creation.

We also continue to strengthen our future talent pipeline through initiatives such as the relaunch of the Management Trainee Programme and the introduction of the Mainland Talent Programme, fostering a diverse, agile and future-ready workforce that will support SmarTone's continued transformation and growth.



2. Supporting Our Staff

Supporting the well-being of our people remains a key priority. Through diverse wellness and employee engagement activities, we cultivate a supportive and inclusive work environment that promotes physical and mental well-being, strengthens workplace connections and fosters a sense of belonging across our organisation.



COMMUNITY INITIATIVES

1. Green 5G Network

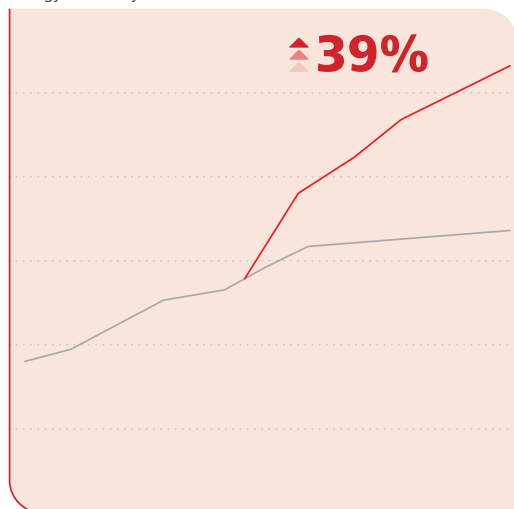
SmarTone remains committed to integrating sustainability into the design and operation of our mobile network. Through the use of AI-driven capabilities in network management, we are able to forecast traffic demand more accurately and optimise resource allocation in real time, enabling more efficient and proactive operations. AI also enhances our ability to identify customer and network site issues remotely, enabling faster diagnostics and more efficient issue resolution. Together with the deployment of more advanced network equipment and smart cooling technologies, these initiatives have improved energy performance while maintaining the high network quality our customers expect. Compared with a baseline scenario without energy-saving measures, overall network energy efficiency increased by 39%.

The benefits of these initiatives are also evident in our data transmission performance. Mobile Network Data Energy Efficiency improved by 13.9% year on year, contributing to an estimated reduction of 6,880 tonnes of CO₂ emissions. By carrying growing volumes of data traffic with lower electricity consumption, we continue to advance towards a smarter, cleaner and more energy-efficient network, reinforcing our long-term commitment to sustainable digital connectivity.



Overall Network Energy Efficiency

Energy Efficiency



— With Energy Saving — Without Energy Saving

Time

Mobile Network Data Energy Efficiency



▲ 13.9% YoY

CO₂ Emissions



▼ 6,880 tonnes

COMMUNITY INITIATIVES

2. Enhancing Cybersecurity Awareness

As scam methods grow increasingly sophisticated, SmarTone remains dedicated to safeguarding customers through proactive security actions and timely education. We introduced Hong Kong's first "Staff Verification Code", enabling customers to verify the identity of SmarTone staff during phone calls, thereby strengthening customer protection, trust, and peace of mind.

Supporting this effort, our ongoing "5 Essential Measures of Defense to Secure Your Network" programme provides practical anti-fraud guidance directly to customers, empowering them to identify and avoid suspicious calls, messages, and digital links. Through these initiatives, we continue to foster digital resilience and responsible technology use across the community.



COMMUNITY INITIATIVES

3. Sustainable Futures

SmarTone has introduced a comprehensive recycling initiative to address electronic waste and foster environmental protection. Centered on the theme “Live SmarT · Rebirth Our Planet · Together for Change”, we set up collection boxes across our stores to gather unwanted mobile phones, power banks, charging cables, chargers, and phone cases. Additionally, we launched the Red Packet Recycling Programme to encourage both the public and our workforce to recycle used Lai See packets, supporting a more sustainable festive tradition.



4. Supporting the Community

SmarTone strives to create positive impact by empowering people and strengthening community connections through technology. As a participating organisation in the Strive and Rise Programme, we support youth development through mentorship and engagement opportunities that help broaden horizons and inspire future aspirations.

We also promote digital inclusion and safety among seniors through smartphone training and scam prevention initiatives, helping them build digital confidence and stay connected in an increasingly digital world. Beyond this, SmarTone supports sports, arts and cultural activities with high-speed connectivity and innovative smart technologies, enriching community experiences and fostering a more connected society.



GROUP FINANCIAL SUMMARY

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

	2026	2025	2024	2023	2022
Consolidated profit and loss account					
Revenues	6,604	6,253	6,221	6,763	6,957
Profit attributable to Company's shareholders	525	479	470	269	423
Basic earnings per share (\$)	0.48	0.44	0.43	0.24	0.38
Dividends					
Total dividends	352	352	353	354	332
Total per share for the year (\$)	0.32	0.32	0.32	0.32	0.30
Consolidated balance sheet					
Total assets	11,319	11,308	11,179	10,898	12,581
Current liabilities	(2,969)	(2,974)	(2,944)	(2,704)	(4,091)
Total assets less current liabilities	8,350	8,334	8,235	8,194	8,490
Non-current liabilities	(2,872)	(3,029)	(3,049)	(3,110)	(3,336)
Net assets	5,478	5,305	5,186	5,084	5,154
Share capital	110	110	110	111	111
Reserves	5,368	5,195	5,076	4,973	5,043
Total equity attributable to the Company's shareholders	5,478	5,305	5,186	5,084	5,154

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of SmarTone Telecommunications Holdings Limited (the “Company”) and its subsidiaries (the “Group”) which are set out on pages 114 to 184, comprise:

- the consolidated balance sheet as at 30 June 2026;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2026, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

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

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to note 2(y) – Summary of material accounting policies, note 3(a) – Critical accounting estimates and judgments and note 5 – Revenues The Group recognized revenue of HK\$6,604 million from the provision of telecommunication services and sale of handsets and accessories for the year ended 30 June 2026. Management's judgment is required to identify the number of performance obligations for each multiple-element contract, assess the relative standalone selling price of each performance obligation and the allocation of revenue among those different performance obligations in multiple-element contracts. Significant effort is spent in auditing the revenue recognized by the Group because of the significant judgments involved in the identification of performance obligations and the estimation of the relative standalone selling price of each performance obligation to allocate the total transaction prices to multiple-element arrangements.	Our procedures in relation to revenue recognition included, • Understanding management's control and processes in relation to revenue recognition and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgment involved in determining the assumptions to be applied; • Assessing the appropriateness of management's judgment on the identification of performance obligations based on the contractual agreements; • Assessing the reasonableness of management's judgment and estimates used to determine the relative standalone selling price of each performance obligation and to allocate revenue to multiple-element contracts with reference to observable market data; and • Testing, on a sample basis, the calculation and allocation of total transaction prices to each performance obligation of multiple-element arrangements.

INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Ka Yee (practising certificate number: P05388).

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 3 September 2026

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2026
(Expressed in Hong Kong dollars)

	Notes	2026 \$000	2025 \$000
Service revenue and other related service		4,228,872	4,415,349
Handset and accessory sales		2,374,752	1,838,098
Revenues	5	6,603,624	6,253,447
Cost of inventories sold		(2,295,081)	(1,801,501)
Cost of services provided		(404,190)	(395,345)
Staff costs	6	(658,701)	(714,645)
Other operating expenses, net	9	(859,143)	(896,896)
Depreciation, amortization and loss on disposal		(1,637,296)	(1,692,851)
Operating profit		749,213	752,209
Expected credit loss on financial assets at amortized cost	9	–	(50,000)
Finance income	7	75,507	69,656
Finance costs	8	(99,860)	(104,247)
Profit before income tax	9	724,860	667,618
Income tax expense	10(a)	(200,118)	(188,717)
Profit after income tax		524,742	478,901
Profit attributable to Company's shareholders		524,742	478,901
Earnings per share for profit attributable to Company's shareholders during the year (expressed in cents per share)	14		
Basic		47.7	43.5
Diluted		47.7	43.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2026
(Expressed in Hong Kong dollars)

	2026 \$000	2025 \$000
Profit for the year	524,742	478,901
Other comprehensive income/(loss)		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	370	(79)
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	147	(1,789)
Other comprehensive income/(loss) for the year	517	(1,868)
Total comprehensive income for the year attributable to Company's shareholders	525,259	477,033

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

CONSOLIDATED BALANCE SHEET

At 30 June 2026

(Expressed in Hong Kong dollars)

	Notes	2026 \$000	2025 \$000
Non-current assets			
Fixed assets	16	3,018,592	3,067,242
Customer acquisition costs	17	93,727	93,244
Contract assets	18	39,637	41,298
Right-of-use assets	19	684,738	805,416
Interest in an associate	21	3	3
Financial asset at fair value through other comprehensive income	22	5,009	4,862
Financial assets at amortized cost	23	2,321	2,321
Intangible assets	24	3,383,701	3,696,376
Deposits and prepayments and other receivables	25	126,434	142,031
Deferred income tax assets	26	7,286	7,640
Total non-current assets		7,361,448	7,860,433
Current assets			
Cash and cash equivalents	28	2,591,792	2,028,081
Trade receivables	25	400,651	414,066
Contract assets	18	91,692	98,638
Deposits and prepayments	25	250,766	278,327
Other receivables	25	115,670	138,002
Inventories	27	76,400	87,217
Tax reserve certificates	10(b)	430,622	402,764
Total current assets		3,957,593	3,447,095
Current liabilities			
Trade payables	29	335,183	351,855
Other payables and accruals	29	655,319	675,383
Contract liabilities	30	432,908	468,019
Lease liabilities	31	462,531	485,400
Current income tax liabilities	10(b)	819,544	739,864
Bank borrowings	32	3,926	4,718
Spectrum utilization fee liabilities	33	259,051	248,060
Total current liabilities		2,968,462	2,973,299

CONSOLIDATED BALANCE SHEET

At 30 June 2026
(Expressed in Hong Kong dollars)

	Notes	2026 \$000	2025 \$000
Non-current liabilities			
Asset retirement obligations	34	44,013	45,901
Contract liabilities	30	5,584	8,698
Lease liabilities	31	240,272	330,588
Bank borrowings	32	52,917	56,882
Spectrum utilization fee liabilities	33	2,363,028	2,421,198
Deferred income tax liabilities	26	166,280	165,708
Total non-current liabilities		2,872,094	3,028,975
Net assets		5,478,485	5,305,254
Capital and reserves			
Share capital	35	110,095	110,095
Reserves		5,368,390	5,195,159
Total equity		5,478,485	5,305,254

The financial statements on pages 114 to 184 were approved by the Board of Directors on 3 September 2026 and were signed on its behalf.

Kwok Ping-luen, Raymond
Director

Lau Yeuk-hung, Fiona
Director

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2026
(Expressed in Hong Kong dollars)

	Notes	2026 \$000	2025 \$000
Cash flows from operating activities			
Profit before income tax		724,860	667,618
Adjustments for:			
Depreciation of fixed assets	16	505,166	524,746
Depreciation of right-of-use assets	19	579,014	605,262
Amortization of spectrum utilization fee	24	468,997	473,333
Amortization of customer acquisition costs	17	79,910	82,107
Loss on disposal of fixed assets	9	4,209	7,818
Net gain on derecognition of right-of-use assets, lease liabilities, write-off of fixed assets and reversal of asset retirement obligations		–	(3,151)
Expected credit loss on financial assets at amortized cost	9	–	50,000
Finance income	7	(75,507)	(69,656)
Finance costs	8	99,860	104,247
Share-based payments	6	277	653
		2,386,786	2,442,977
Changes in working capital			
Decrease in inventories		10,817	19,852
Decrease/(increase) in contract assets, trade receivables, deposits, prepayments and other receivables		78,486	(100,446)
Increase in trade and other payables, accruals, contract liabilities and deferred income		23,396	17,623
Capitalization of customer acquisition costs	17	(80,393)	(82,357)
		2,419,092	2,297,649
Cash generated from operations		2,419,092	2,297,649
Interest paid		(42,237)	(42,735)
Income tax paid		(119,535)	(103,867)
Purchase of tax reserve certificates		(27,858)	(18,055)
		2,229,462	2,132,992
Cash flows from investing activities			
Payment for purchase of fixed assets		(555,752)	(597,471)
Proceeds from disposal of fixed assets		4,027	1,597
Proceeds from early redemption of financial assets at amortized cost		–	11,212
Proceeds from redemption of financial assets at amortized cost		–	62,500
Payment of spectrum utilization fee	33	(260,572)	(244,493)
Interest received		73,386	71,139
		(738,911)	(695,516)
Net cash outflow from investing activities		(738,911)	(695,516)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2026
(Expressed in Hong Kong dollars)

	Notes	2026 \$000	2025 \$000
Cash flows from financing activities			
Payment for repurchase of shares		–	(5,488)
Repayment of bank borrowings	37	(4,757)	(2,200)
Principal elements of lease payments	37	(569,881)	(625,961)
Dividends paid to the Company's shareholders		(352,305)	(352,593)
Net cash outflow from financing activities		(926,943)	(986,242)
Net increase in cash and cash equivalents		563,608	451,234
Cash and cash equivalents at beginning of the year		2,028,081	1,576,915
Effect of foreign exchange rates changes		103	(68)
Cash and cash equivalents at end of the year	28	2,591,792	2,028,081

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2026
(Expressed in Hong Kong dollars)

	Attributable to the Company's shareholders								Total \$000
	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	
At 30 June 2024	110,226	1,647,004	4,753	17,939	1,127	1,609	(2,501)	3,405,492	5,185,649
Profit for the year	-	-	-	-	-	-	-	478,901	478,901
Other comprehensive loss									
Fair value loss on financial asset at fair value through other comprehensive income	-	-	(1,789)	-	-	-	-	-	(1,789)
Currency translation differences	-	-	-	-	-	-	(79)	-	(79)
Total comprehensive income for the year ended 30 June 2025	-	-	(1,789)	-	-	-	(79)	478,901	477,033
Transactions with owners									
Share-based payments (note 6)	-	-	-	-	-	653	-	-	653
Repurchase of shares (note 35)	(131)	-	-	131	-	-	-	(5,488)	(5,488)
Payment of 2024 final dividend	-	-	-	-	-	-	-	(192,860)	(192,860)
Payment of 2025 interim dividend (note 15)	-	-	-	-	-	-	-	(159,733)	(159,733)
Total transactions with owners	(131)	-	-	131	-	653	-	(358,081)	(357,428)
At 30 June 2025	110,095	1,647,004	2,964	18,070	1,127	2,262	(2,580)	3,526,312	5,305,254

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2026
(Expressed in Hong Kong dollars)

	Attributable to the Company's shareholders								Total \$000
	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	
At 30 June 2025	110,095	1,647,004	2,964	18,070	1,127	2,262	(2,580)	3,526,312	5,305,254
Profit for the year	-	-	-	-	-	-	-	524,742	524,742
Other comprehensive income									
Fair value gain on financial asset at fair value through other comprehensive income	-	-	147	-	-	-	-	-	147
Currency translation differences	-	-	-	-	-	-	370	-	370
Total comprehensive income for the year ended 30 June 2026	-	-	147	-	-	-	370	524,742	525,259
Transactions with owners									
Share-based payments (note 6)	-	-	-	-	-	277	-	-	277
Payment of 2025 final dividend	-	-	-	-	-	-	-	(192,667)	(192,667)
Payment of 2026 interim dividend (note 15)	-	-	-	-	-	-	-	(159,638)	(159,638)
Total transactions with owners	-	-	-	-	-	277	-	(352,305)	(352,028)
At 30 June 2026	110,095	1,647,004	3,111	18,070	1,127	2,539	(2,210)	3,698,749	5,478,485

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

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

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 3 September 2026.

2 Summary of material accounting policies

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

(a) Basis of preparation

(i) Compliance with HKFRS Accounting Standards (“HKFRS”) and Hong Kong Companies Ordinance (“HKCO”)

The consolidated financial statements of the Group have been prepared in accordance with HKFRS and disclosure requirements of the HKCO Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income, measured at fair value.

(ii) Amendment to standard adopted by the Group

The Group has applied the following amendment to standard for the first time for its annual reporting period commencing on 1 July 2025.

HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability
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The adoption of the amendment to standard did not have any material effect on the results and financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(a) Basis of preparation *(continued)*

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

Certain new standards and amendments to standards and interpretations have been published that are not mandatory for 30 June 2026 reporting period and have not been early adopted by the Group.

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS Amendments	Annual Improvements to HKFRS Accounting Standards – volume 11 ²
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments ²
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HK-Interpretation 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
HKFRS 19 (Amendments)	Subsidiaries without Public Accountability: Disclosures ³
HKAS 21 (Amendments)	Translation to a Hyperinflationary Presentation Currency ³
HKFRS 20	Regulatory Assets and Regulatory Liabilities ⁴

¹ To be determined

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ Effective for annual periods beginning on or after 1 January 2029.

The Group does not expect that these new standards and amendments to standards and interpretations would have any material impact on its results and financial position, except for HKFRS 18 which may have impact to the presentation of the consolidated financial statements for the year ending 30 June 2028.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

(ii) Associates

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

(iii) Equity method

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

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

(iv) Changes in ownership interests

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

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

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

(c) Separate financial statements

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

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

(d) Segment reporting

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

The board of the Company has appointed the Group's senior executive management to assess the financial performance and position of the Group, and makes strategic decisions. Since the Group is only engaged in telecommunications and related services, the Group has identified only one reportable segment. No geographical information has been disclosed as the majority of the Group's operating activities are carried out in Hong Kong. The Group's assets (both current assets and non-current assets) and revenues derived from activities outside Hong Kong are less than 5% of the Group's assets and revenues, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to bank borrowings, financial assets at amortized cost and cash and cash equivalents are presented in the consolidated profit and loss account within "finance costs". All other foreign exchange gains and losses are presented in the consolidated profit and loss account on a net basis within "other operating expenses, net".

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

(iii) Group companies

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

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

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(f) Intangible assets

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

Spectrum utilization fee

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

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalized as part of the intangible asset consistent with the policy for borrowing costs as set out in note 2(t). Subsequent to the date when the asset is ready for its intended use, such finance costs will be charged to the consolidated profit and loss account in the year in which they are incurred.

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

(g) Fixed assets

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

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

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

Leasehold improvements	Over the lease term
Buildings	Over the lease term
Network and testing equipment	$6\frac{2}{3}\%$ –50%
Computer, billing and office telephone equipment	20%–33 $\frac{1}{3}\%$
Other fixed assets	20%–33 $\frac{1}{3}\%$

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(g) Fixed assets *(continued)*

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(j)).

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

(h) Leases

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

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

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

(i) Lease liabilities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(h) Leases *(continued)*

(i) Lease liabilities *(continued)*

To determine the incremental borrowing rate, the Group:

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

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

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

(ii) Right-of-use assets

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

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

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

(iii) Short-term and low-value leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(i) Customer acquisition costs eligible for capitalization

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

(j) Impairment of non-financial assets

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

(k) Investments and other financial assets

(i) Classification

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

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

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

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

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

(ii) Recognition and derecognition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

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

(iii) Measurement

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

Financial assets at amortized cost

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

Financial assets at fair value

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

(iv) Impairment

The Group recognizes an allowance for expected credit losses for:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

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

(iv) Impairment *(continued)*

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

The Group considers a financial asset is in default when the Group is unlikely to receive the outstanding contractual amounts in full, without recourse by the Group to action such as realizing the security (if any is held).

(l) Offsetting financial instruments

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

(m) Inventories

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

(n) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Since collection of trade receivables is expected in one year or less (or in the normal operating course of business if longer), they are classified as current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. See note 2(k) for a description of the Group's impairment policies.

(o) Contract assets

Contract assets relating to multiple-element arrangements are recognized when the Group has performed the service or transferred the good to the customer before the customer pays consideration or before payment is due. A contract asset is transferred to a receivable when the right to receive the consideration becomes unconditional. See note 2(k) for a description of the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(p) Cash and cash equivalents

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

(q) Share capital

Ordinary shares are classified as equity.

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

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

Shares held for share award scheme are deducted from equity.

(r) Trade and other payables

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

(s) Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(t) Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

Borrowings are classified as current liabilities unless the Group has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

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

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

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

(u) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

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

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax related to assets and liabilities arising from a single transaction which on initial recognition gives rise to equal amounts of taxable and deductible temporary differences requires the separate recognition of the related deferred tax assets and liabilities. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

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

(v) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognized for future operating losses.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(w) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Bonus plans

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

(iii) Retirement benefits

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(w) Employee benefits *(continued)*

(iv) Share-based payments

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

Share award scheme

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

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

Share option scheme

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(x) Contingent assets and liabilities

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

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

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

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

(y) Revenue recognition

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

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

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

(i) Sales of goods

Revenue from the sales of goods is recognized when control of the products has been transferred to the customer, which generally coincides with the time when the goods are delivered to customers and title has passed and collectability of the related receivables is reasonably assured.

(ii) Provision of services

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

(iii) Multiple-element arrangements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of material accounting policies *(continued)*

(z) Interest income

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

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

(aa) Dividend income

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

(ab) Earning per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(ac) Dividend distribution

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

(ad) Related parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Critical accounting estimates and judgments

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

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

(a) Revenue recognition

Management's judgment is required to identify the number of performance obligations for each multiple-element contract, assess the relative standalone selling price of each performance obligation and the allocation of revenue among those different performance obligations in multiple-element contracts.

(b) Useful lives of fixed assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Critical accounting estimates and judgments *(continued)*

(d) Current and deferred income tax

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

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

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

Significant judgments are required in applying the accounting requirements for measuring ECL. For financial assets at amortized cost classified as stage 3, the Group assessed the ECL using a discounted cashflow model with probability weightings given to different probable scenarios.

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

4 Financial risk management

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

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

The Group's treasury policy, approved from time to time by the board of directors, is designed to minimize the Group's exposure to financial risks. The Group's risk management policy focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors

(i) Market risk

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

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity, primarily with respect to the US dollar. Any change in the exchange rates of US dollar to Hong Kong dollar will impact the Group's operating results.

Certain of the assets and liabilities of the Group are principally denominated in US dollar. The Group currently does not undertake any foreign currency hedging.

Exposure

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

	2026 \$000	2025 \$000
Financial assets at amortized cost	2,321	2,321
Financial asset at fair value through other comprehensive income	5,009	4,862
Trade receivables	68,997	69,547
Cash and cash equivalents	1,566,267	931,994
Trade payables	(105,203)	(56,642)
Other payables and accruals	(256)	(621)
	1,537,135	951,461

Sensitivity

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

	Impact on pre-tax profit	
	2026 \$000	2025 \$000
US/HK\$ exchange rate – increase 1%*	15,371	9,515
US/HK\$ exchange rate – decrease 1%*	(15,371)	(9,515)

* Holding all other variables constant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Cash flow and fair value interest rate risk

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

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

	2026 \$000	% of total borrowings	2025 \$000	% of total borrowings
Variable rate borrowings	56,843	100%	61,600	100%

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

Sensitivity

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

	Impact on pre-tax profit	
	2026 \$000	2025 \$000
Interest rates – increase by 100 basis points*	(185)	571
Interest rates – decrease by 100 basis points*	565	613

* Holding all other variables constant

Price risk

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

At 30 June 2026, if the fair value of the financial asset at fair value through other comprehensive income had increased or decreased by 10% and all other variables were held constant, the investment revaluation reserve of the Group would increase or decrease by approximately \$501,000 (2025: \$486,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk

The Group's credit risk arises from cash and cash equivalents, financial assets carried at amortized cost, and deposits with banks and financial institutions, deposits, and other receivables, as well as credit exposures arising from transactions with customers, including outstanding receivables and contract assets.

Risk management

The Group manages its credit risk to non-performance of its counterparties by monitoring their credit ratings and setting approved counterparty limits that are regularly reviewed. In accordance with the treasury policy, the Group invests its surplus funds by placing deposits with credit worthy banks and financial institutions or investing in financial assets at amortized cost in accordance with the mandates as approved by the Board of Directors.

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

Impairment

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

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

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

For trade receivables and contract assets, the Group applies the HKFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected credit losses of mass market customers and business market customers are assessed on a collective basis and an individual basis respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

Other receivables and deposits are considered to have low credit risk. These assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

Definition of default (Stage 3)

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

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

Maximum exposure and year-end staging

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

	12-month ECLs Stage 1 \$000	Lifetime ECLs Stage 2 \$000	Stage 3 \$000	Total \$000
At 30 June 2026				
Financial assets at amortized cost	–	–	194,384	194,384
At 30 June 2025				
Financial assets at amortized cost	–	–	286,649	286,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

During the year, the movement of loss allowances in relation to the Group's financial assets measured at amortized costs is as follows:

	12-month ECLs Stage 1 \$000	Lifetime ECLs Stage 2 \$000	Stage 3 \$000	Total \$000
At 1 July 2025	–	–	284,328	284,328
Assets derecognized	–	–	(92,265)	(92,265)
At 30 June 2026	–	–	192,063	192,063

	12-month ECLs Stage 1 \$000	Lifetime ECLs Stage 2 \$000	Stage 3 \$000	Total \$000
At 1 July 2024	–	–	231,448	231,448
Increase in loss allowance recognised in consolidated profit and loss during the year	–	–	50,000	50,000
Exchange differences	–	–	2,880	2,880
At 30 June 2025	–	–	284,328	284,328

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

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

Issuer	Maturity dates	Coupon rate	Credit rating 30 June 2026	Gross carrying amount as at 30 June 2026 \$M	Changes in ECL recorded in profit and loss for the year ended 30 June 2026 \$M	ECL balance as at 30 June 2026 \$M	Scenario	Scenario probability	Payment terms (years)
Issuer 1	25 August 2022 – 9 June 2024	6.5%–7.5%	WR*	109.3	–	109.3	– Restructuring – Straight sale – Liquidation	1%–98%	6
Issuer 2	1 September 2023	7.88%	WR*	56.6	–	56.6	– Restructuring – Straight sale – Liquidation	1%–98%	2–7
Issuer 3	30 March 2028	6.70%	WR*	28.5	–	26.2	– Restructuring – Straight sale – Liquidation	1%–65%	–
				194.4	–	192.1			

Issuer	Maturity dates	Coupon rate	Credit rating 30 June 2025	Gross carrying amount as at 30 June 2025 \$M	Changes in ECL recorded in profit and loss for the year ended 30 June 2025 \$M	ECL balance as at 30 June 2025 \$M	Scenario	Scenario probability	Payment terms (years)
Issuer 1	25 August 2022 – 9 June 2024	6.5% – 7.5%	WR*	109.2	9.1	109.2	– Restructuring – Straight sale – Liquidation	1%–98%	6
Issuer 2	1 September 2023	7.88%	WR*	56.6	5.8	56.6	– Restructuring – Straight sale – Liquidation	1%–98%	2–7
Issuer 3	30 March 2028	6.70%	Caa3	28.5	26.0	26.2	– Restructuring – Straight sale – Liquidation	1%–65%	–
Issuer 4	28 March 2024 – 7 November 2024	6.45% – 6.55%	WR*	92.3	9.1	92.3	– Restructuring – Straight sale – Liquidation	1%–98%	2–6
				286.6	50.0	284.3			

* A rating notation indicating that an issuer's or an individual debt instrument's credit rating has been officially discontinued by the rating agency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iii) Liquidity risk

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

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

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

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

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

Contractual maturities of financial liabilities	1 year or less \$000	1 year to 2 years \$000	2 years to 5 years \$000	Over 5 years \$000	Total contractual cash flows \$000	Carrying amount \$000
At 30 June 2026						
Trade payables	335,183	-	-	-	335,183	335,183
Other payables and accruals	527,571	-	-	-	527,571	527,571
Bank borrowings (include interest payable)	5,440	5,524	16,571	39,405	66,940	56,843
Spectrum utilization fee liabilities	266,846	273,379	860,961	1,569,373	2,970,559	2,622,079
Lease liabilities	485,592	192,656	52,342	1,484	732,074	702,803
Total	1,620,632	471,559	929,874	1,610,262	4,632,327	4,244,479
At 30 June 2025						
Trade payables	351,855	-	-	-	351,855	351,855
Other payables and accruals	557,129	-	-	-	557,129	557,129
Bank borrowings (include interest payable)	6,500	5,524	16,571	46,040	74,635	61,600
Spectrum utilization fee liabilities	250,472	256,598	808,071	1,729,682	3,044,823	2,669,258
Lease liabilities	513,744	249,051	90,489	2,817	856,101	815,988
Total	1,679,700	511,173	915,131	1,778,539	4,884,543	4,455,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(b) Capital management

The Group's objectives when managing capital are to:

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total bank borrowings as shown in the consolidated balance sheet less cash and cash equivalents and financial assets at amortized cost.

Since the Group is in a net cash position, gearing ratio is not applicable.

(c) Fair value estimation

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

The following table presents the Group's financial assets that are measured and recognized at fair value at 30 June 2026 and 2025.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Assets				
Financial asset at fair value through other comprehensive income (note 22)				
At 30 June 2026	–	5,009	–	5,009
At 30 June 2025	–	4,862	–	4,862

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Financial risk management *(continued)*

(c) Fair value estimation *(continued)*

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

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

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

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

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

5 Revenues

Revenues include income generated from the provision of mobile telecommunications services, and the sales of handsets and accessories. An analysis of revenues is as follows:

	2026 \$000	2025 \$000
Mobile telecommunications services	4,228,872	4,364,249
Handsets and accessories sales	2,374,752	1,838,098
One-off income from exiting from Macau	–	51,100
	6,603,624	6,253,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Revenues *(continued)*

The Group's revenues from the provisions of services and delivery of goods by timing of satisfaction of performance obligations are as follows:

	2026 \$000	2025 \$000
Timing of revenue recognition:		
Over time	4,228,872	4,415,349
At a point in time	2,374,752	1,838,098
	6,603,624	6,253,447

In a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purpose of resource allocation and performance assessment, the Group has identified only one reportable segment, which is mobile telecommunications business.

6 Staff costs

	2026 \$000	2025 \$000
Wages and salaries	584,699	640,062
Bonuses	36,000	32,700
Contributions to defined contribution plans	37,725	41,230
Share-based payments	277	653
	658,701	714,645

7 Finance income

	2026 \$000	2025 \$000
Interest income from financial assets at amortized cost	–	2,442
Interest income from bank deposits	75,507	67,214
	75,507	69,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Finance costs

	Notes	2026 \$000	2025 \$000
Interest expense on bank borrowings		1,710	2,001
Accretion expenses			
Spectrum utilization fee liabilities	33	57,071	60,996
Lease liabilities	31	40,526	40,734
Asset retirement obligations	34	553	527
Net exchange gain on financing activities	13	–	(11)
		99,860	104,247

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

9 Profit before income tax

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

	Notes	2026 \$000	2025 \$000
Other operating expenses, net			
– Network costs		499,524	517,884
– Short-term and low-value leases		35,793	40,567
– Impairment loss of trade receivables	25	5,615	4,504
– Auditor's remuneration			
– Audit services		2,084	2,053
– Non-audit services		716	784
– Net exchange loss/(gain)	13	803	(1,227)
– Others		314,608	332,331
Loss on disposal of fixed assets		4,209	7,818
Depreciation of fixed assets	16	505,166	524,746
Depreciation of right-of-use assets	19	579,014	605,262
Amortization of spectrum utilization fee	24	468,997	473,333
Amortization of customer acquisition costs	17	79,910	82,107
Reversal of impairment loss of inventories	27	(146)	(346)
Expected credit loss on financial assets at amortized cost (Note)		–	50,000

Note: Expected credit loss was recognized or reversed to reflect the change in credit risk for the financial assets at amortized cost, details of which are set out in "Credit risk" section in note 4(a)(ii) of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Income tax

- (a) Income tax in the consolidated profit and loss account reports:

	2026 \$000	2025 \$000
Current income tax		
Hong Kong profits tax	197,112	183,911
Non-Hong Kong tax	2,080	1,925
Total current income tax expense	199,192	185,836
Deferred income tax expense	926	2,881
Income tax expense	200,118	188,717

A reconciliation of the tax expense applicable to profit before income tax at the Hong Kong tax rate to the income tax expense as follows:

	2026 \$000	2025 \$000
Profit before income tax	724,860	667,618
Tax at the Hong Kong tax rate of 16.5% (2025: 16.5%)	119,602	110,157
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Interest income	(12,454)	(11,464)
Expected credit loss on financial assets at amortized cost	–	8,250
Temporary differences/non-deductible expenses	91,518	86,143
Difference in non-Hong Kong tax rates	751	(803)
Utilisation of unrecognized tax loss	–	(3,689)
Tax loss not recognized	701	123
Income tax expense	200,118	188,717

- (b) Included in the current income tax liabilities was a provision of \$697 million (2025: \$633 million) which has been made on the assumption that all spectrum utilization fee and related payments by the Group were not tax deductible. The Group is still in progress of pursuing tax deduction for these payments with the Inland Revenue Department. At the same time, tax reserve certificates totalling \$424 million (2025: \$399 million) have been purchased in this regard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Five highest paid individuals

Of the five highest paid individuals, two (2025: two) are directors whose emoluments are disclosed in note 41. The aggregate of the emoluments in respect of the other three (2025: three) individuals are as follows:

	2026 \$000	2025 \$000
Salaries, allowances and benefits in kind	9,094	9,515
Bonuses	1,719	1,328
Retirement scheme contributions	409	563
	11,222	11,406

The emoluments of the three (2025: three) highest paid individuals are within the following bands:

	2026 Number of Individuals	2025 Number of Individuals
\$2,500,001–\$3,000,000	1	–
\$3,000,001–\$3,500,000	–	–
\$3,500,001–\$4,000,000	1	3
\$4,000,001–\$4,500,000	–	–
\$4,500,001–\$5,000,000	1	–
	3	3

12 Employee retirement benefits

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

Contributions to the ORSO scheme by the Group and the employees are calculated as specified percentages of each employee’s basic salary. Where employees leave the scheme prior to the full vesting of the employer’s contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. As at 30 June 2026, all available forfeited contributions had been utilized by the Group to reduce its contributions payable (2025: same).

The MPF scheme was established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000 and the Group’s employees may elect to join the MPF scheme. Both the Group and the employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of \$30,000 (2025: same). Contributions to the scheme vest immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Net exchange loss/(gain)

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

	2026 \$000	2025 \$000
Other operating expenses, net (note 9)	803	(1,227)
Finance costs (note 8)	–	(11)
	803	(1,238)

14 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

	2026 Cents	2025 Cents
Basic earnings per share attributable to Company's shareholders	47.7	43.5

(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.

	2026 Cents	2025 Cents
Diluted earnings per share attributable to Company's shareholders	47.7	43.5

	2026 \$000	2025 \$000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	524,742	478,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Earnings per share *(continued)*

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

	2026 Number	2025 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and diluted earnings per share	1,100,951,601	1,101,720,037

15 Dividends

	2026 \$000	2025 \$000
Interim dividend, paid, of 14.5 cents (2025: 14.5 cents) per fully paid share	159,638	159,733
Final dividend, proposed, of 17.5 cents (2025: 17.5 cents) per fully paid share	192,667	192,667
	352,305	352,400

At a meeting held on 3 September 2026, the directors proposed a final dividend of 17.5 cents per fully paid share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2027.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Fixed assets

	Leasehold improvements \$'000	Buildings \$'000	Network and testing equipment \$'000	Computer, billing and office telephone equipment \$'000	Other fixed assets \$'000	Network under construction \$'000	Total \$'000
At 1 July 2024							
Cost	239,993	156,351	8,910,997	1,337,018	283,237	234,478	11,162,074
Accumulated depreciation and impairment	(229,915)	(52,874)	(6,601,277)	(1,061,748)	(194,871)	(4,370)	(8,145,055)
Net book amount	10,078	103,477	2,309,720	275,270	88,366	230,108	3,017,019
Year ended 30 June 2025							
Opening net book amount	10,078	103,477	2,309,720	275,270	88,366	230,108	3,017,019
Exchange differences	(9)	(6)	–	(13)	8	–	(20)
Additions	16,510	–	109	73,067	42,189	455,130	587,005
Reclassifications	–	–	323,909	–	–	(323,909)	–
Disposals	(17)	–	(6,674)	(16)	(1,951)	(757)	(9,415)
Depreciation (note 9)	(8,625)	(4,340)	(389,479)	(65,818)	(56,484)	–	(524,746)
Write off	–	–	(2,546)	(38)	(17)	–	(2,601)
Closing net book amount	17,937	99,131	2,235,039	282,452	72,111	360,572	3,067,242
At 30 June 2025							
Cost	247,379	156,345	8,595,051	1,366,931	309,511	360,572	11,035,789
Accumulated depreciation and impairment	(229,442)	(57,214)	(6,360,012)	(1,084,479)	(237,400)	–	(7,968,547)
Net book amount	17,937	99,131	2,235,039	282,452	72,111	360,572	3,067,242
Year ended 30 June 2026							
Opening net book amount	17,937	99,131	2,235,039	282,452	72,111	360,572	3,067,242
Exchange differences	27	111	–	119	18	–	275
Additions	3,518	–	–	75,066	40,949	344,944	464,477
Reclassifications	–	–	464,321	–	–	(464,321)	–
Disposals	–	–	(6,247)	(4)	(1,883)	(102)	(8,236)
Depreciation (note 9)	(7,168)	(4,337)	(393,233)	(56,783)	(43,645)	–	(505,166)
Closing net book amount	14,314	94,905	2,299,880	300,850	67,550	241,093	3,018,592
At 30 June 2026							
Cost	249,947	156,696	8,781,096	1,432,635	326,570	241,093	11,188,037
Accumulated depreciation and impairment	(235,633)	(61,791)	(6,481,216)	(1,131,785)	(259,020)	–	(8,169,445)
Net book amount	14,314	94,905	2,299,880	300,850	67,550	241,093	3,018,592

At 30 June 2026, buildings with a carrying amount of \$58,114,000 (2025: \$60,552,000) were pledged as security for bank borrowings of the Group (note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 Customer acquisition costs

	\$000
At 1 July 2024	
Cost	179,946
Accumulated amortization	(86,642)
Net book amount	93,304
Year ended 30 June 2025	
Opening net book amount	93,304
Additions	82,357
Amortization (note 9)	(82,107)
Write off	(310)
Closing net book amount	93,244
At 30 June 2025	
Cost	178,248
Accumulated amortization	(85,004)
Net book amount	93,244
Year ended 30 June 2026	
Opening net book amount	93,244
Additions	80,393
Amortization (note 9)	(79,910)
Closing net book amount	93,727
At 30 June 2026	
Cost	176,002
Accumulated amortization	(82,275)
Net book amount	93,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Contract assets

	2026			2025		
	Current	Non-current	Total	Current	Non-current	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Contract assets	91,692	39,637	131,329	98,638	41,298	139,936

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

19 Right-of-use assets

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

The balance sheet shows the following amounts relating to leases:

	2026	2025
	\$000	\$000
Leasehold land and land use rights	5,645	6,000
Transmission sites	567,787	649,344
Offices, warehouses and retail stores	104,666	143,262
Leased lines	6,640	6,810
	684,738	805,416

Additions to the right-of-use assets with the corresponding increase in lease liabilities and assets retirement obligations during the year ended 30 June 2026 were \$456,617,000 (2025: \$546,978,000) and \$1,364,000 (2025: \$880,000) respectively.

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

	2026	2025
	\$000	\$000
Leasehold land and land use rights	638	613
Transmission sites	488,829	504,429
Offices, warehouses and retail stores	87,660	98,139
Leased lines	1,887	2,081
	579,014	605,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Subsidiaries

Particulars of the principal subsidiaries at 30 June 2026 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Group equity interest	
				2026	2025
SmarTone (BVI) Limited *	The British Virgin Islands ("BVI")	Investment holding in BVI	1,000 ordinary shares of US\$1 each US\$1,000	100%	100%
SmarTone Mobile Communications Limited	Hong Kong	Provision of mobile services and sales of handsets and accessories in Hong Kong	100,000,000 ordinary shares \$100,000,000	100%	100%
SmarTone Communications Limited	Hong Kong	Provision of wireless fixed services in Hong Kong	2 ordinary shares \$2	100%	100%
Birdie Mobile Limited	Hong Kong	Provision of local and international telecommunications services and mobile services and sales of accessories in Hong Kong	2 ordinary shares \$2	100%	100%
廣州數碼通客戶服務有限公司#	The People's Republic of China	Provision of customer support services and telemarketing services in Chinese Mainland	Registered capital of \$27,400,000	100%	100%

* Subsidiary held directly by the Company.

Registered as wholly foreign owned enterprises under PRC law.

All of the above subsidiaries are limited liability companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Interest in an associate

	2026 \$000	2025 \$000
Share of net assets	3	3

During the year ended 30 June 2026, there is no movement of share of net assets of interest in an associate (2025: same).

Particulars of the associate at 30 June 2026 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Interest held	
				2026	2025
New Top Finance Limited	BVI	Investment holding in BVI	375 ordinary shares of US\$1 each	37.5%	37.5%

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

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

22 Financial asset at fair value through other comprehensive income

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

Financial asset at fair value through other comprehensive income comprise:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

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

	2026 \$000	2025 \$000
Non-current asset		
Unlisted security	5,009	4,862

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

(c) Amounts recognized in other comprehensive income

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

	2026 \$000	2025 \$000
Gain/(loss) recognized in other comprehensive income	147	(1,789)

(d) Fair value and risk exposure

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Financial assets at amortized cost

Financial assets at amortized cost include the following:

	2026			2025		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Listed investments	165,838	28,546	194,384	258,103	28,546	286,649
Less: expected credit loss allowance	(165,838)	(26,225)	(192,063)	(258,103)	(26,225)	(284,328)
	–	2,321	2,321	–	2,321	2,321

The fair values of the financial assets at amortized cost approximate to their carrying values.

The financial assets at amortized cost are denominated in US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Intangible assets

	Spectrum utilization fee \$000
At 1 July 2024	
Cost	6,986,541
Accumulated amortization	(3,028,465)
Net book amount	3,958,076
Year ended 30 June 2025	
Opening net book amount	3,958,076
Additions	211,633
Amortization (note 9)	(473,333)
Closing net book amount	3,696,376
At 30 June 2025	
Cost	7,198,174
Accumulated amortization	(3,501,798)
Net book amount	3,696,376
Year ended 30 June 2026	
Opening net book amount	3,696,376
Additions	156,322
Amortization (note 9)	(468,997)
Closing net book amount	3,383,701
At 30 June 2026	
Cost	6,479,496
Accumulated amortization	(3,095,795)
Net book amount	3,383,701

The Group extended the mobile license period of the 850 MHz band to 31 May 2041 during the year ended 30 June 2026.

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(Expressed in Hong Kong dollars)

25 Trade and other receivables

	2026			2025		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Trade receivables	405,076	–	405,076	418,477	–	418,477
Less: loss allowance	(4,425)	–	(4,425)	(4,411)	–	(4,411)
	400,651	–	400,651	414,066	–	414,066
Other receivables	115,670	13,998	129,668	138,002	23,860	161,862
	516,321	13,998	530,319	552,068	23,860	575,928
Deposits	92,935	58,495	151,430	90,530	64,773	155,303
Prepayments	157,831	53,941	211,772	187,797	53,398	241,195
Total trade and other receivables	767,087	126,434	893,521	830,395	142,031	972,426

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

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

The credit periods granted by the Group to its customers generally range from 15 days to 45 days from the date of invoice (2025: same). An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2026 \$000	2025 \$000
0–30 days	259,198	302,753
31–60 days	18,584	17,618
61–90 days	9,416	5,090
Over 90 days	113,453	88,605
	400,651	414,066

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(Expressed in Hong Kong dollars)

25 Trade and other receivables *(continued)*

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in a loss of \$5,615,000 (2025: \$4,504,000) for the impairment of its trade receivables during the year ended 30 June 2026.

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

	2026 \$000	2025 \$000
At beginning of the year	4,411	5,137
Impairment loss recognized in the consolidated profit and loss account (note 9)	5,615	4,504
Amounts written off during the year	(5,601)	(5,230)
At end of the year	4,425	4,411

The ageing of the receivables have been provided for impairment is as follows:

	2026 \$000	2025 \$000
Past due 31–60 days	443	508
Past due 61–90 days	705	580
Past due over 90 days	3,277	3,323
	4,425	4,411

None of the other receivables and deposits had been individually credit-impaired as at 30 June 2026 and 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 Deferred income tax

Deferred income tax for the Group's temporary differences arising from operations in Hong Kong and non-Hong Kong is calculated at 16.5% (2025: 16.5%) and the appropriate current tax rates ruling in the relevant countries respectively.

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

(a) Deferred income tax assets

	Decelerated depreciation allowance \$000	Assets retirement obligations \$000	Tax losses \$000	Total \$000
At 1 July 2024	106	–	3,022	3,128
Recognized in the consolidated profit and loss account	(6)	7,540	(3,022)	4,512
At 30 June 2025	100	7,540	–	7,640
At 1 July 2025	100	7,540	–	7,640
Recognized in the consolidated profit and loss account	(6)	(348)	–	(354)
At 30 June 2026	94	7,192	–	7,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 Deferred income tax *(continued)*

(b) Deferred income tax liabilities

	Accelerated depreciation allowance \$000
At 1 July 2024	158,315
Recognized in the consolidated profit and loss account	7,393
At 30 June 2025	165,708
At 1 July 2025	165,708
Recognized in the consolidated profit and loss account	572
At 30 June 2026	166,280

(c) Tax losses

	2026 \$000	2025 \$000
Unused tax losses for which no deferred tax asset has been recognized	54,475	65,686
Potential tax benefit	7,374	8,739

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

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group has not recognized deferred income tax assets of \$7,374,000 (2025: \$8,739,000) in respect of tax losses of \$54,475,000 (2025: \$65,686,000). Under the current tax legislation, unrecognized tax losses of \$35,874,000 (2025: \$46,650,000) related to the subsidiary operating in Macau are subject to an expiry period of three years from the year in which the tax loss arises. The remaining tax losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Inventories

	2026 \$000	2025 \$000
Handsets and accessories, at cost	73,399	74,530
Others, at cost	4,498	14,424
Less: provision for slow-moving and obsolete inventories	(1,497)	(1,737)
	76,400	87,217

The Group recognized reversal of impairment loss of \$146,000 (2025: \$346,000) for slow-moving and obsolete inventories during the year ended 30 June 2026. The amount has been included in "cost of inventories sold" in the consolidated profit and loss account.

28 Cash and cash equivalents

	2026 \$000	2025 \$000
Cash at bank and in hand	39,459	120,334
Short-term bank deposits with original maturities of 3 months or less	2,552,333	1,907,747
Cash and cash equivalents per consolidated cash flow statement	2,591,792	2,028,081
Maximum exposure to credit risk	2,590,673	2,026,449

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

Cash and cash equivalents are denominated in the following currencies:

	2026 \$000	2025 \$000
Hong Kong dollars	1,022,851	1,091,762
US dollars	1,566,267	931,994
Renminbi	1,510	2,351
Others	1,164	1,974
	2,591,792	2,028,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

29 Trade and other payables

	2026 \$000	2025 \$000
Trade payables (a)	335,183	351,855
Other payables and accruals (b)	655,319	675,383
	990,502	1,027,238

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

	2026 \$000	2025 \$000
0–30 days	192,802	175,680
31–60 days	34,891	47,362
61–90 days	38,169	38,176
Over 90 days	69,321	90,637
	335,183	351,855

The carrying amount of the Group's trade payables are mainly denominated in Hong Kong dollars which accounted for 68% (2025: 83%).

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

	2026 \$000	2025 \$000
Accrued expenses	378,548	345,321
Payables for fixed assets	159,314	217,170
Receipt in advance	79,791	75,600
Customer deposits	37,666	37,292
	655,319	675,383

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 Contract liabilities

	2026			2025		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Contract liabilities						
— Mobile						
telecommunications						
service contracts	432,908	5,584	438,492	468,019	8,698	476,717

Revenue in relation to mobile telecommunications service contracts, which was included in the contract liabilities balance at the beginning of the year amounting to \$468 million, was recognized during the year ended 30 June 2026 (2025: \$398 million).

(i) Unsatisfied long-term fixed price contracts

	2026 \$000	2025 \$000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully satisfied	3,694,750	3,905,019

Management expects that 61% (2025: 61%) of the transaction price allocated to the unsatisfied contracts as of 30 June 2026 will be recognized as revenue during the next reporting period. The remaining 39% (2025: 39%) will be recognized as revenue after the year ending 30 June 2027.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 Lease liabilities

	2026			2025		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Lease liabilities	462,531	240,272	702,803	485,400	330,588	815,988

Movement of lease liabilities is as follows:

	2026 \$000	2025 \$000
At beginning of the year	815,988	899,376
Additions	456,617	546,978
Payments for lease liabilities	(610,407)	(666,695)
Accretion expenses included in the consolidated profit and loss account (note 8)	40,526	40,734
Exchange differences	79	(16)
Derecognition	–	(4,389)
At end of the year	702,803	815,988

32 Bank borrowings

	2026			2025		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Secured bank borrowings	3,926	52,917	56,843	4,718	56,882	61,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

32 Bank borrowings *(continued)*

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

	2026 \$000	2025 \$000
Between 1 and 2 years	4,116	3,870
Between 2 and 5 years	13,062	12,327
Over 5 years	35,739	40,685
	52,917	56,882

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2026				
Secured bank borrowings	–	52,917	–	52,917
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2025				
Secured bank borrowings	–	56,882	–	56,882

At 30 June 2026, 100% (2025: 100%) of the Group's bank borrowings are denominated in Hong Kong dollars.

At 30 June 2026, secured bank borrowings are secured by certain buildings of the Group (note 16) (2025: same).

Under the terms of the Group's bank borrowings, the Group is required to comply with certain covenant while the borrowings are outstanding. The Group has complied with this covenant throughout the reporting period. There are no indications that the Group would have difficulties complying with the covenant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

33 Spectrum utilization fee liabilities

	2026 \$000	2025 \$000
At beginning of the year	2,669,258	2,641,122
Additions	156,322	211,633
Accretion expenses included in consolidated profit and loss account (note 8)	57,071	60,996
Payment	(260,572)	(244,493)
At end of the year	2,622,079	2,669,258
Less: spectrum utilization fee liabilities included under current liabilities	(259,051)	(248,060)
Non-current portion	2,363,028	2,421,198
Analysis of the present value of spectrum utilization fee liabilities:		
	2026 \$000	2025 \$000
Minimum annual fees payable		
Within 1 year	266,846	250,472
After 1 year but within 5 years	1,134,340	1,064,669
Over 5 years	1,569,373	1,729,682
Less: future finance charges	2,970,559 (348,480)	3,044,823 (375,565)
Present value of spectrum utilization fee liabilities	2,622,079	2,669,258
Comprising:		
Within 1 year	259,051	248,060
After 1 year but within 5 years	1,056,989	992,239
Over 5 years	1,306,039	1,428,959
	2,622,079	2,669,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

34 Asset retirement obligations

	2026 \$000	2025 \$000
At beginning of the year	45,901	51,811
Additions	1,364	880
Accretion expenses included in consolidated profit and loss account (note 8)	553	527
Utilizations	(3,805)	(1,670)
Unused amount reversed	–	(5,647)
At end of the year	44,013	45,901

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

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

35 Share capital

	Shares of \$0.1 each	\$000
Authorized		
At 30 June 2025 and 30 June 2026	2,000,000,000	200,000
Issued and fully paid		
At 1 July 2024	1,102,259,101	110,226
Repurchase of shares	(1,307,500)	(131)
At 30 June 2025, 1 July 2025 and 30 June 2026	1,100,951,601	110,095

During the year ended 30 June 2026, the Company did not repurchase and cancel any (2025: 1,307,500) shares on the SEHK.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

36 Share award scheme and share option scheme

(a) Share award scheme

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

No share awards were granted, exercised or lapsed during the years ended 30 June 2026 and 2025. No share award was outstanding at 30 June 2026 (2025: Nil).

(b) Share option scheme

Pursuant to the terms of the share option scheme adopted by the Company on 2 November 2021, the Company may grant options to the participants, including directors and employees of the Group, to subscribe for shares of the Company. The details of the terms of the share option scheme are disclosed under the section "Share option scheme" in the Report of the Directors. Below is a summary of the share options issued.

Movements in share options

	Average exercise price per share	Number of share options
At 30 June 2025 and 30 June 2026	\$4.964	4,000,000

At 30 June 2025, 2,400,000 share options were exercisable with average exercise price of \$4.964 per share.

At 30 June 2026, 4,000,000 share options were exercisable with average exercise price of \$4.964 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

37 A reconciliation of liabilities arising from financing activities

	Bank borrowings \$000	Lease liabilities \$000	Total \$000
At 1 July 2024	63,800	899,376	963,176
Repayment of bank borrowings	(2,200)	–	(2,200)
Additions of lease liabilities	–	546,978	546,978
Payment for lease liabilities	–	(625,961)	(625,961)
Derecognition	–	(4,389)	(4,389)
Exchange differences	–	(16)	(16)
At 30 June 2025 and 1 July 2025	61,600	815,988	877,588
Repayment of bank borrowings	(4,757)	–	(4,757)
Additions of lease liabilities	–	456,617	456,617
Payment for lease liabilities	–	(569,881)	(569,881)
Exchange differences	–	79	79
At 30 June 2026	56,843	702,803	759,646

38 Commitments and guarantees

(a) Capital commitments

	2026 \$000	2025 \$000
Fixed assets		
Contracted for	89,014	149,821

(b) Guarantees

	2026 \$000	2025 \$000
Performance guarantees	645,000	718,442
Other guarantees	19,849	20,714
	664,849	739,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

39 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 69.32% of the Company's shares as at 30 June 2026. The remaining 30.68% of the shares are widely held, of which 3.92% is held by another subsidiary of Sun Hung Kai Properties Limited ("SHKP"). The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

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

	2026 \$000	2025 \$000
Short-term and low-value leases for land and buildings and transmission sites (i)	22,700	26,268
Depreciation and accretion expenses for right-of-use assets (i)	91,135	95,255
Insurance expense (ii)	3,343	3,679
Mobile coverage services (iii)	22,116	5,822
Enterprise solutions (iv)	137,033	79,895

(i) Leases of land and buildings and transmission sites

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

For the year ended 30 June 2026, short-term and low-value leases fees paid and payable to subsidiaries and associated companies of SHKP totalled \$22,700,000 (2025: \$26,268,000).

For the year ended 30 June 2026, depreciation and accretion expenses of right-of-use assets and lease liabilities totalled \$91,135,000 (2025: \$95,255,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

39 Related party transactions *(continued)*

(a) *(continued)*

(ii) Insurance services

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. For the year ended 30 June 2026, insurance premiums paid and payable were \$3,343,000 (2025: \$3,679,000).

(iii) Mobile coverage services

The Group provides technical services for the properties owned or managed by certain subsidiaries and associated companies of SHKP for enhancement of mobile coverage in the properties. For the year ended 30 June 2026, the revenue received or receivable by the Group was \$22,116,000 (2025: \$5,822,000).

(iv) Enterprise solutions

The Group provides information and communication technology ("ICT") solutions to certain subsidiaries and associated companies of SHKP covering, among others, business digitalization, connectivity and industry-specific solutions. For the year ended 30 June 2026, the revenue received or receivable was \$137,033,000 (2025: \$79,895,000).

(b) At 30 June 2026, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP.

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

	2026	2025
	\$000	\$000
Trade receivables (note 25)	81,394	73,188
Deposits and prepayments (note 25)	22,670	22,205
Trade payables (note 29)	1,873	1,278
Other payables and accruals (note 29)	5,763	5,325

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

40 Balance sheet and reserve movement of the Company

(a) Balance sheet of the Company

	2026 \$000	2025 \$000
Non-current asset		
Investments in subsidiaries	8,405,119	8,404,842
Current assets		
Cash and cash equivalents	548	449
Prepayments	272	274
Amounts due from subsidiaries	29,818	29,818
Tax recoverable	9	104
Total current assets	30,647	30,645
Current liabilities		
Amounts due to subsidiaries	5,925,700	5,927,089
Other payables and accruals	3,366	3,230
Total current liabilities	5,929,066	5,930,319
Net assets	2,506,700	2,505,168
Capital and reserves		
Share capital	110,095	110,095
Reserves	2,396,605	2,395,073
Total equity attributable to shareholders of the Company	2,506,700	2,505,168

The balance sheet of the Company was approved by the Board of Directors on 3 September 2026 and was signed on its behalf.

Kwok Ping-luen, Raymond
Director

Lau Yeuk-hung, Fiona
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(b) Reserve movement of the Company

	Company					
	Share premium \$000	Capital redemption reserve \$000	Contributed surplus \$000	Employee share-based compensation reserve \$000	Retained profits \$000	Total \$000
At 1 July 2024	1,633,208	17,939	740,316	1,608	6,952	2,400,023
Profit for the year	–	–	–	–	352,348	352,348
Transactions with owners						
Share-based payments	–	–	–	652	–	652
Repurchase of shares (note 35)	–	131	–	–	(5,488)	(5,357)
Payment of 2024 final dividend	–	–	–	–	(192,860)	(192,860)
Payment of 2025 interim dividend	–	–	–	–	(159,733)	(159,733)
At 30 June 2025 and 1 July 2025	1,633,208	18,070	740,316	2,260	1,219	2,395,073
Profit for the year	–	–	–	–	353,558	353,558
Transactions with owners						
Share-based payments	–	–	–	279	–	279
Payment of 2025 final dividend	–	–	–	–	(192,667)	(192,667)
Payment of 2026 interim dividend	–	–	–	–	(159,638)	(159,638)
At 30 June 2026	1,633,208	18,070	740,316	2,539	2,472	2,396,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

41 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

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

	2026							2025	
	Fees	Salaries and allowances	Bonuses	Retirement scheme contributions	Estimated money value of other benefits	Retirement benefits	Share-based payments	Total	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Executive Directors									
Mr. Fung Yuk-lun, Allen	162	-	-	-	-	-	-	162	162
Ms. Lau Yeuk-hung, Fiona	144	6,362	4,116	294	40	-	277	11,233	11,469
Mr. Chau Kam-kun, Stephen	144	6,829	1,870	682	146	-	-	9,671	9,510
Non-Executive Directors									
Mr. Kwok Ping-luen, Raymond	180	-	-	-	-	-	-	180	180
Mr. Cheung Wing-yui	162	-	-	-	-	-	-	162	162
Mr. David Norman Prince	144	-	-	-	-	-	-	144	144
Mr. Siu Hon-wah, Thomas	144	-	-	-	-	-	-	144	144
Mr. Patrick Poon	144	-	-	-	-	-	-	144	144
Mr. Wong Hong-kit ⁽¹⁾	85	-	-	-	-	-	-	85	-
Dr. Li Ka-cheung, Eric, JP*	288	-	-	-	-	-	-	288	288
Mr. Ng Leung-sing, JP*	288	-	-	-	-	-	-	288	288
Mr. Gan Fock-kin, Eric*	288	-	-	-	-	-	-	288	288
Mr. Lam Kwok-fung, Kenny*	144	-	-	-	-	-	-	144	144
Mr. Lee Yau-tat, Samuel*	144	-	-	-	-	-	-	144	144
Mr. Peter Kung*	288	-	-	-	-	-	-	288	288
	2,749	13,191	5,986	976	186	-	277	23,365	23,355
2025	2,664	12,931	5,978	957	172	-	653		

* Independent Non-Executive Director

⁽¹⁾ Appointed on 28 November 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

41 Benefits and interests of directors *(continued)*

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

During the years ended 30 June 2026 and 2025, no director:

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

In addition to the above emoluments, directors were granted share awards under the Company's share award scheme. The details of these benefits in kind are disclosed under the section "Share award scheme" in the Report of the Directors and note 36.

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

42 Ultimate holding company

The directors consider the ultimate holding company at 30 June 2026 to be Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with its shares listed on the main board of SEHK.