SmarTone

SmarTone Telecommunications Holdings Limited

Stock Code: 0315

ANNUAL REPORT 2023/24

Consumers' Best Preferred No.1 5G Network*

SmarTone

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, is a leading telecommunications provider in Hong Kong, offering voice, multimedia and mobile broadband services, as well as fixed fibre broadband services for both consumer and corporate markets. SmarTone spearheaded 5G development in Hong Kong since May 2020, with the launch of its territory-wide 5G services.

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

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

CONTENTS

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
** 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

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

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

Auditors

PricewaterhouseCoopers
Certified Public Accountants 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

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12, Bermuda

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang 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
Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

FINANCIAL HIGHLIGHTS

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

	Year ended or as at 30 June		
	2024	2023	Change
Consolidated profit and loss account			
Revenues	**6,221**	6,763	(8%)
Profit attributable to Company's shareholders	**470**	269	75%
Basic earnings per share ($)	**0.43**	0.24	75%
Total dividends per share ($)	**0.32**	0.32	–
Consolidated balance sheet			
Total assets	**11,179**	10,898	3%
Current liabilities	**(2,944)**	(2,704)	9%
Total assets less current liabilities	**8,235**	8,194	0%
Non-current liabilities	**(3,049)**	(3,110)	(2%)
Net assets	**5,186**	5,084	2%
Share capital	**110**	111	(0%)
Reserves	**5,076**	4,973	2%
Total equity attributable to the Company's shareholders	**5,186**	5,084	2%

	Year ended 30 June		
	2024	2023	Change
Consolidated cash flows			
Net cash inflow from operating activities	**2,162**	2,254	(4%)
Interest received	**66**	81	(18%)
Payment for purchase of fixed assets	**(602)**	(709)	(15%)
Proceeds from disposal of financial assets at amortized cost	**–**	24	(100%)
Proceeds from early redemption of financial assets at amortized cost	**37**	–	N/A
Payment of spectrum utilization fee	**(225)**	(220)	2%
Dividends paid	**(353)**	(332)	6%
Repayment of bank borrowings (net)	**(2)**	(19)	(89%)
Redemption of notes payables	**–**	(1,427)	(100%)
Principal elements of lease payments	**(646)**	(639)	1%
Issue of shares	**–**	5	(100%)
Payment for repurchase of shares	**(17)**	(1)	1,040%
Others	**2**	(2)	(214%)
Net increase/(decrease) in cash and cash equivalents	**422**	(985)	(143%)

BUSINESS HIGHLIGHTS

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

1. Technology Leadership

SmarTone is committed to deliver the best network experience with innovation. The SmarTone network is 5G-Advanced ready. It supports intelligent dynamic network slicing for different applications and use cases, as well as AI-enabled resources management to provide service assurance in mission-critical applications. This is very useful for the development of innovation applications for enterprise customers.

SmarTone's network has been known to provide superior connectivity within MTR trains and stations, and we continue to invest into the deployment of the 3.3GHz and 3.5GHz "5G Golden Spectrum" in 24 major MTR stations. In support of the Government's new economic development plan, the Company has invested in the 5G network infrastructure for the Third Runway System in the Hong Kong International Airport, the Kai Tak Sports Park, and the Northern Metropolis. We put in extra effort to ensure that our coverage also extends to all major country parks, where having mobile reception enhances safety and speeds up emergency response.

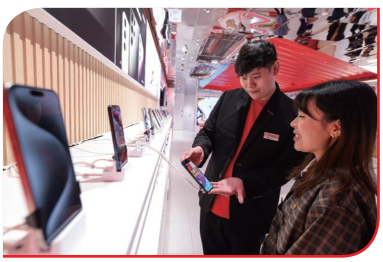
SmarTone has officially launched its Satellite Voice and SMS Service during the year, this service ensures that customers can stay connected even in remote areas while hiking, at sea, or during emergencies and natural disasters.

2. Empowering Innovation

SmarTone's enterprise solutions arm, SmarTone Solutions, empowers businesses to integrate emerging technologies that drive digital transformation, pushing Hong Kong's smart city development. SmarTone's AI-enabled SmarTransport solution, co-designed and adopted by KMB, was awarded the "Top 5 Best Mobile Innovation for Digital Life" under the Global Mobile Awards at the Mobile World Congress.

3. Customer-Centric Strategy

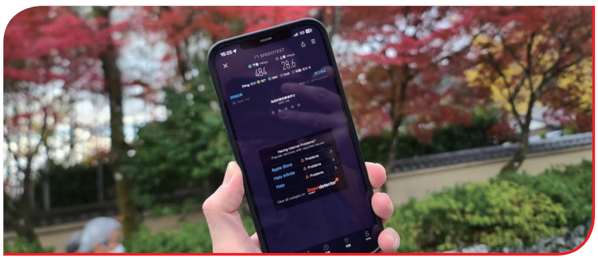
SmarTone's high-quality services have been widely recognized by the industry and we are the only mobile operator to win two gold awards in the "2023 Service Talent Award" organized by the Hong Kong Retail Management Association. In August 2024, 5 of our sales professionals at SmarTone have been named winners of the Distinguished Salesperson Award (DSA) Programme, which referred to as the "Oscar of the Sales Industry organised by the Hong Kong Management Association.

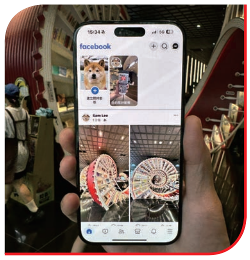


BUSINESS HIGHLIGHTS

SmarTone recognizes that every customer has unique needs and expectations, which is why we offer customized products and services for various segments, including families and travelers. To ensure outstanding network performance, we frequently send representatives to popular international travel destinations for testing.

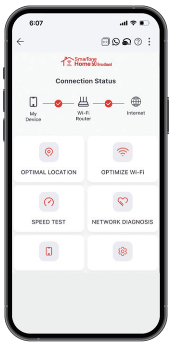
Digital technology has become an integral part of children's lives, and the SmarT Parenting Academy launched by SmarTone offers a comprehensive guide to help parents navigating this landscape. It provides practical tips for managing internet usage, fostering healthy digital habits, and recommending kid-friendly services and apps. SmarTone empowers parents to confidently guide their children through the digital realm, enabling kids to explore, learn, and express their creativity while staying safe online.



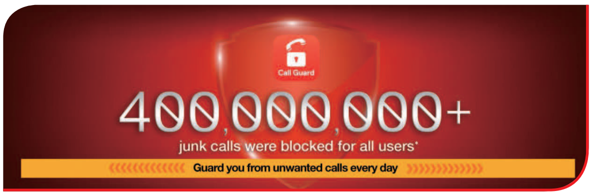


SmarTone Home 5G Broadband successfully redefined the home broadband market and addressed the needs of village houses and Chinese mansion households enduring slow speed narrowband connections. We are the first operator to launch a mobile app for the best user experience at home.

Wireless Broadband SmarTone Home 5G Broadband

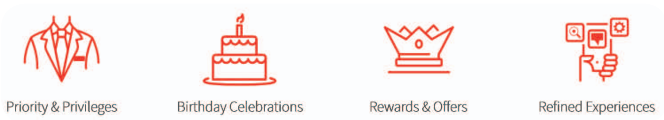


SmarTone has always placed a strong emphasis on network security. We offer a variety of network protection services to our customers, including "Data Guard", "Call Guard", and "Add-On Number", ensuring comprehensive privacy, network, and call security for our customers. Since its launch, "Call Guard" has successfully blocked over 400 million nuisance calls.



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

SmarTone Plus



4. Digitalization

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

Birdie™

SmarTone offers customers an extensive array of services and a superior experience through our website, mobile app, and WhatsApp hotline. The recently upgraded CARE App boasts a personalized interface, enabling users to effortlessly access their account details, along with information on rewards and promotions. Additionally, SmarTone's online store has been recognized as one of the "Top 10 Quality Trusted E-Shops" by the Hong Kong Retail Management Association.

HKRMA QUALITY TRUSTED eShop 信譽優網店

MARKETING-INTERACTIVE THE LOYALTY & ENGAGEMENT AWARDS 2024 HONG KONG

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Business review

Under an intensely competitive landscape, the Company delivered a profit attributable to equity holders of $470 million, which represented a rise of 75% when compared with the prior year. Excluding the provision made for the potential financial investment loss in the last financial year, the underlying profit this year was the same as last year.

Throughout the year, SmarTone's business maintained a strong performance, with the company's core 5G postpaid customer base continuing to grow. Despite intense competitive pressure, our ARPU has maintained its premium, in recognition of our distinguished network and customer service. Additionally, 5G penetration increased to approximately 40%, with 5G ARPU now double that of 4G. 5G service enhances our customers' experience, and the benefits are especially clear when using video, gaming and emerging AI (e.g. ChatGPT) applications. The resilience in our customer base, coupled with the premium level of ARPU, underscores the high quality of our customers, whom we are serving with superior service and network.

The full resumption of travel over the past year has helped the Company increase its revenue through roaming. As traveling to the Mainland and overseas has become a part of life, we have given particular attention to improving the roaming experience for our customers. We have introduced a free, dedicated hotline for our roaming customers to call us for any issues. We have sent teams to popular tourist destinations such as Mainland China, Japan and UK to test for "blind spots". We work with our network partners abroad to make enhancements, and do not hesitate to change partners if their performance does not meet customer expectations. We believe this is important because good connectivity abroad is just as, if not more, important as our Hong Kong service, particularly when you need to use apps such as GoogleMap, Uber or WhatsApp (data or voice calls). We are encouraged that the percentage of our customers using our own roaming service has doubled when compared with the pre-pandemic times. The momentum and the opportunity to further improve and grow the roaming business is strong.

Our 5G Home Broadband and Enterprise Solutions have both continued to deliver promising results. Our 5G Home Broadband service has become a core growth engine for the Company. The service is easy to install, without any need to drill holes into walls or wait for a technician to come. It helps customers who are living in older buildings to enjoy fast WiFi. In remote and rural areas, it is a necessity and often the only way to get good WiFi. It also enables our customers to "work from home or anywhere" and improve their productivity. These are likely the reasons why the service has grown quickly in popularity, and why our 5G Home Broadband achieved a 33% growth in revenue and a 70% growth in EBITDA compared to last year. The Company is putting emphasis on further improving our customer experience in this service, and will invest more resources in the network and the equipment.

SmarTone's Enterprise Solutions business continued to deliver double-digit growth. In February 2024, SmarTone's AI-enabled SmarTransport solution, co-designed and adopted by KMB, was awarded the "Top 5 Best Mobile Innovation for Digital Life" under the Global Mobile Awards at the Mobile World Congress. This is a highly prestigious award, and SmarTone is the first-ever Hong Kong operator to achieve this honour. As AI applications grow in scale and effectiveness, our focus is to bring more of these solutions to our enterprise customers to enhance their operations. This will be good for Hong Kong, reinforcing its role as an innovation and technology hub. We have started to work closely with our sister companies within the SHKP Group. For instance, together with SHKP hotels we recently launched a mobile phone-based solution, which allows hotel customers to use their phone to address their needs for the stay (including remote check-in, room access, app-based housekeeping services etc.). Our aspiration is to help businesses to take advantage of AI to improve their productivity, and we plan to roll out these solutions to other companies in similar industries.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Underpinning the sustainable success of the Company is a superior network experience. We have built a 5G network that has the capacity and flexibility to handle the rising usage of AI and VI (virtual intelligence) by our customers. Our network has been known to provide superior connectivity within MTR trains and stations, and we continued to invest into the deployment of the 3.3GHz and 3.5GHz "5G Golden Spectrum" in 24 major MTR stations. In support of the Government's new economic development plan, the Company has invested in the 5G network infrastructure for the Third Runway System in the Hong Kong International Airport, the Kai Tak Sports Park, and the Northern Metropolis. We put in extra effort to ensure that our coverage also extends to all major country parks, where having mobile reception enhances safety and speed up emergency response. In December 2023, the Company was awarded the "Best 5G Mobile Network Operator" by the Communications Association of Hong Kong (CAHK). SmarTone was also the proud recipient of the "Best 5G Commercial Network Operator Award" by the PCM magazine and was among the first operators to launch the mobile-to-satellite services, now available to Hong Kong citizens.

The Company operates under a highly disciplined cost management framework. Despite regular salary increases, the total operating cost for the current financial year was down 2% as compared with last year. This strong cost discipline allows us to deploy more resources to further improve the network and customer experience. It also enables us to invest in new technologies that can help enterprise customers and consumers.

The Company is handing back its mobile operator license in Macau to the Macau government. We have faced too many constraints and difficulties in delivering the top quality service in Macau that SmarTone customers expect. Hence we believe it is better that we focus our efforts and resources to further invest in our business in Hong Kong. Under our exit arrangement, we have transferred our Macau customers to a reputable local operator to ensure our Macau customers will be in good hands. We have worked out a smooth transition of our staff to the same operator to safeguard their jobs. Financially, no material write down of assets is required in our books; in fact, the exit means we no longer need to incur continuous losses for the Macau business, which amounted to more than $20 million annually for the last two years.

Dividend

The Board proposed a final dividend per share of 17.5 cents, making full year dividend per share of 32.0 cents.

Outlook

Our philosophy is that we provide superior service to our customers to earn their trust, and that we continue to invest to enhance their experience. We have invested to improve our CareApp as a primary means of digital engagement with customers for convenience. We are also further strengthening our customers' experience at the stores, because even though our customers may only occasionally come to the stores, they usually come for important matters. We believe building a trust-based and long-term relationship with our customers is the most important pillar for success. The market remains very competitive, and there are uncertainties in the macro-economy. But we believe there are new opportunities as well. Our 5G Home Broadband and Enterprise solutions are growing well, and we are committed to invest to make these businesses stronger. The emergence of AI will likely lead to more areas where we can help our customers. We will continue to invest in improving our network, as this is important for delivering a premium service for our customers as well as for Hong Kong to be an innovation and technology hub.

CHAIRMAN’S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

SmarTone’s mission is to deliver the best network in Hong Kong and a network that rivals the best globally. We want to build a world-class network that makes Hong Kong proud, and we believe we have gained recognition for this effort. That said, a substantial part of our investment has not been spent on the network, but was paid in the form of spectrum fees to the government. In Mainland China, the government does not charge spectrum fees as they want to encourage operators to invest more into the network. In contrast, these spectrum fees are high in Hong Kong. In the past year alone our spectrum fees amounted to nearly $540 million, which exceeded our entire net profit after tax for the same period. In addition, while such fees were historically tax-deductible, the Inland Revenue Department has now deemed the spectrum fees of a certain period not tax-deductible. We strongly disagree with this position. The spectrum acquired can only be used for 15 years, which is a finite period, and during this time we cannot trade or use such spectrum for any other purpose. Hence it is a real operating cost essential for network operations, and we do not understand why it is not tax-deductible. We urge the Government to treat all spectrum cost as tax deductible. This would allow us to deploy more resources to further expand and improve on our network, and ensure Hong Kong has as advanced a digital infrastructure as the Mainland.

The fast-evolving technology landscape has led to many new opportunities, but has also created problems and threats, especially in cybersecurity. We know this is a major fear for our customers, in the consumer segment as well as the enterprise segment. Hence first and foremost we are investing resources to ensure our network is safe and that our customers’ data is safe with us. We are also paying special attention to helping our customers to face up to such risks. We are offering special solutions to our customers on cybersecurity, and are also launching programs to educate and support our customers about best practices in data protection.

Appreciation

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 3 September 2024

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 maintained at $470 million, as compared to $269 million for last financial year. Excluding the recognition of expected credit loss on financial assets at amortized cost of $201 million, the underlying net profit of the Group was $470 million in last year.

The total revenue of the Group was $6,221 million, a drop by 8% as compared to $6,763 million in last financial year. The decline was mainly driven by the reduced handset and accessory sales, while the gross profit from these sales was $21 million, remaining stable when compared with last year. Our total service revenue was down marginally by 1% year-on-year to $4,509 million (2022/23: $4,546 million), while our service revenue excluding revenue from prepaid, MVNO and SMS businesses has shown a high level of resilience with a growth of 2% over the year. This was mainly driven by the continued recovery of roaming business together with the continuous growth of our 5G Home Broadband products and enterprise solutions, which has compensated the pressure from the fierce competition landscape in the Hong Kong mobile market.

Cost of services provided increased 5% to $410 million (2022/23: $392 million), which was in line with the corresponding increase in revenue from roaming and enterprise solutions businesses. Service revenue gross margin remained stable at 91%.

The Group has continued to devote significant effort in tightening cost discipline and improving operation efficiency during the year. Accordingly, our staff costs and other operating expenses were reduced by 2% and 1%, to $713 million and $965 million, respectively. We decided to return the operating license in Macau, and will focus the Group's resources on the Hong Kong market. We believe the decision will benefit the Group financially in long term.

Depreciation, amortization and loss on disposal decreased by $19 million or 1% to $1,741 million (2022/23: $1,760 million), mainly due to reduced depreciation charges of network equipment and computer equipment given our cautious control over capital expenditure in recent years.

At the back of the Group's strong net cash position, our net finance costs (including accretion expenses on spectrum utilization fee and lease liabilities) was reduced from $48 million to $37 million in this year as the result of full repayment of a guarantee note of $1.4 billion in last financial year.

Income tax expense amounted to $193 million (2022/23: $185 million), reflecting an effective tax rate of 29.1% (2022/23: 28.2% based on profit before expected credited loss on financial assets at amortized cost). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, certain related payments have been treated as non-deductible in calculating the tax provision, which attributes to the Group effective tax rate being higher than 16.5%. The Group will continue to vigorously defend its position and pursue tax deduction of the spectrum utilization fee from the Inland Revenue Department. As at 30 June 2024, the Group's current income tax liabilities of $658 million consists of $570 million provision 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 $385 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 primarily financed by share capital and internally generated funds. As at 30 June 2024, the Group had a total equity of $5,186 million, including share capital and reserves of $110 million and $5,076 million, respectively.

The Group's cash resources remained robust with cash and bank balances of $1,577 million as at 30 June 2024 (30 June 2023: $1,155 million). Total borrowings of the Group was $64 million as at 30 June 2024, as compared to $66 million as at 30 June 2023.

The Group has generated net cash from operating activities of $2,162 million during the year (2022/23: $2,254 million). Other than normal operating cash payments, the Group's major outflows of funds during the year were payments for purchase of fixed assets, spectrum utilization fee, leases, taxation and dividends.

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for 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 has arranged for banks to issue performance bonds and letters of credit on its behalf for operation needs.

Charges on assets

The Group's bank borrowing were secured by certain assets of the Group and the carrying amount of the pledged assets amounted to $63 million as at 30 June 2024 (30 June 2023: $65 million).

Interest rate exposure

As at 30 June 2024, the Group's total borrowing of $64 million is subject to floating interest rate. Management considers the 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 Sates dollars.

Contingent liabilities

As at 30 June 2024, the Group provided performance guarantees of $523 million (30 June 2023: $623 million).

Employees, share award scheme and share option scheme

The Group had 1,756 full-time employees as at 30 June 2024 (30 June 2023: 1,830), with the majority of them based in Hong Kong. Total staff costs were $713 million for the year ended 30 June 2024 (2022/23: $731 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 share (30 June 2023: Nil) was outstanding as at 30 June 2024.

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 2024, 4,000,000 share options were outstanding (30 June 2023: 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 2024, 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 deviations:

Code Provision C.1.6 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Code Provision F.2.2 of the CG Code also provides that the chairman of the board should attend the annual general meeting. Mr. Kwok Ping-luen, Raymond, Non-Executive Director and Chairman of the Board, and Mr. Gan Fock-kin, Eric, Independent Non-Executive Director, were unable to attend the annual general meeting of the Company held on 31 October 2023 due to overseas commitments or other prior engagements. The remaining eight Independent Non-Executive Directors and Non-Executive Directors (representing 80% of all independent non-executive and non-executive members of the Board at the time) attended the said meeting in person to listen to the views expressed by the shareholders. Mr. Fung Yuk-lun, Allen, Executive Director and Deputy Chairman of the Board, took the chair of the said meeting pursuant to the Bye-laws of the Company.

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

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.

Composition

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

As at 30 June 2024, the Board comprises three Executive Directors, five Non-Executive Directors and six Independent Non-Executive Directors. The names of the Directors are listed below:

Executive Directors:
Mr. Fung Yuk-lun, Allen *(Deputy Chairman)*
Ms. Lau Yeuk-hung, Fiona *(Chief Executive Officer)*
Mr. Chau Kam-kun, Stephen

Non-Executive Directors:
Mr. Kwok Ping-luen, Raymond *(Chairman)*
Mr. Cheung Wing-yui *(Deputy Chairman)*
Mr. David Norman Prince
Mr. Siu Hon-wah, Thomas
Dr. Poon Sun-cheong, Patrick[1]

Independent Non-Executive Directors
Dr. Li Ka-cheung, Eric
Mr. Ng Leung-sing
Mr. Gan Fock-kin, Eric
Mr. Lam Kwok-fung, Kenny
Mr. Lee Yau-tat, Samuel
Mr. Peter Kung

Note:

1. Dr. Poon Sun-cheong, Patrick was appointed as a Non-Executive Director of the Company with effect from 11 April 2024. Dr. Poon obtained legal advice on 28 March 2024 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. Dr. Poon has confirmed he understood his obligations as a director of a listed issuer.

The presence of eleven 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.

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 62 to 69 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 as set out below:

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

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

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

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

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

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

As at 30 June 2024, six of the fourteen 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.

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.

Directors' attendance at Board meetings and general meeting

Four Board meetings and a general meeting were held during the year ended 30 June 2024. The attendance record of the Directors at the meetings is set out below:

Directors	Meetings attended/held during the term of office	
	Board Meetings	**General Meeting**
Executive Directors		
Mr. Fung Yuk-lun, Allen *(Deputy Chairman)*	4/4	1/1
Ms. Lau Yeuk-hung, Fiona *(Chief Executive Officer)*	4/4	1/1
Mr. Chau Kam-kun, Stephen	4/4	1/1
Non-Executive Directors		
Mr. Kwok Ping-luen, Raymond *(Chairman)*	4/4	0/1
Mr. Cheung Wing-yui *(Deputy Chairman)*	4/4	1/1
Mr. David Norman Prince	4/4	1/1
Mr. Siu Hon-wah, Thomas	4/4	1/1
Dr. Poon Sun-cheong, Patrick[1]	1/1	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	2/4	0/1
Mr. Lam Kwok-fung, Kenny	4/4	1/1
Mr. Lee Yau-tat, Samuel	4/4	1/1
Mr. Peter Kung	4/4	1/1

Note:

1. Dr. Poon Sun-cheong, Patrick was appointed as a Non-Executive Director of the Company with effect from 11 April 2024.

Directors' training

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

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

All Directors have provided to the Company a record of the training they received during the year ended 30 June 2024, which includes attending seminars, giving talks at seminars and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

During the year ended 30 June 2024, the Directors participated in the following trainings:

Directors	**Type of trainings**
Executive Directors	
Mr. Fung Yuk-lun, Allen *(Deputy Chairman)*	A, B
Ms. Lau Yeuk-hung, Fiona *(Chief Executive Officer)*	A, B
Mr. Chau Kam-kun, Stephen	A, B
Non-Executive Directors	
Mr. Kwok Ping-luen, Raymond *(Chairman)*	A, B
Mr. Cheung Wing-yui *(Deputy Chairman)*	A, B
Mr. David Norman Prince	A, B
Mr. Siu Hon-wah, Thomas	A, B
Dr. Poon Sun-cheong, Patrick	A, B
Independent Non-Executive Directors	
Dr. Li Ka-cheung, Eric	A, B
Mr. Ng Leung-sing	B
Mr. Gan Fock-kin, Eric	B
Mr. Lam Kwok-fung, Kenny	B
Mr. Lee Yau-tat, Samuel	B
Mr. Peter Kung	A, B

Keys:

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

Board Committees

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

Board Supervisory Committee ("BSC")

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

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

Remuneration Committee

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

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

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

During the year ended 30 June 2024, the Remuneration Committee reviewed the remuneration of the Executive Directors, 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.

Nomination Committee

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

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

During the year ended 30 June 2024, 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 and made recommendations on the re-election of Directors. 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 2024 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 (with professional accounting expertise) and the other members are Mr. Ng Leung-sing, Mr. Gan Fock-kin, Eric and Mr. Peter Kung. All the members of the Committee are Independent Non-Executive Directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee'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 2024 to review with management and the Company's internal and external auditors the Group's significant internal controls and financial matters as set out in the Committee's terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim and annual financial statements for the Board's approval).

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

Directors	**Meetings attended/held during the term of office**
Dr. Li Ka-cheung, Eric *(Chairman)*	2/2
Mr. Ng Leung-sing	2/2
Mr. Gan Fock-kin, Eric	0/2
Mr. Peter Kung[1]	1/1

Note:

1. Mr. Peter Kung was appointed as a member of the Audit Committee of the Company with effect from 19 September 2023.

The Audit Committee also held a meeting on 27 August 2024 and reviewed the financial statements of the Group for the year ended 30 June 2024 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 2024.

External auditor's independence

PricewaterhouseCoopers ("PwC") is the Company's external auditor for the year ended 30 June 2024. 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 2024 are as follows:

	HK$
Services provided by PwC	
Audit services	2,516,000
Non-audit services	
Taxation	165,000
Review of interim financial statements	322,000
Other assurance services	353,000
	840,000
	3,356,000
Services provided by other audit firms	
Audit services	42,000

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 2024, 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 2024 Annual General Meeting.

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

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

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

The responsibilities of the auditor for the consolidated financial statements are set out in the Independent Auditor's Report on pages 75 to 79 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 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.

The Group has an Internal Audit team, staffed with five qualified professionals, which is an independent function reports directly to the Audit Committee and the 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 2024. The review considered the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programs and budget, 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 a whistleblowing policy in place which sets out the principle of whistleblowing and the procedures to be followed to raise concerns with the Audit Committee through a designated Whistleblowing Officer. The policy applies 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.

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 of the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Upon specific enquiry, each Director had confirmed that during the year ended 30 June 2024, 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.

The current Board comprises male and female Directors of different age groups, length of services in the Group, cultural and educational background, and professional experience (see the section "The Board — Composition" of this Corporate Governance Report and the biographical details of the Directors set out on pages 62 to 69 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.

As at 30 June 2024, male and female employees of the Group accounted for 60% and 40% of the workforce, respectively. The Group has a higher proportion of male employees, which is a common phenomenon for a technology-driven company. The Group is an equal opportunity employer. All employees enjoy equal employment and career opportunities and no employee shall be disadvantaged on the basis of gender.

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.

Investor relations

Amendments to the Bye-laws

At the annual general meeting of the Company held on 31 October 2023, the shareholders passed a special resolution to make certain amendments to the Bye-laws of the Company to (i) bring the Bye-laws in line with the latest legal and regulatory requirements, including the amendments made to the then Appendix 3 to the Listing Rules; (ii) allow general meetings to be held as a physical meeting, an electronic meeting or a hybrid meeting where shareholders may attend by electronic means in addition to physical attendance in person, and providing certain powers to the Board and the chairman of the meeting in relation thereto; and (iii) make other housekeeping amendments, including consequential amendments in line with the above amendments to the Bye-laws.

Details of the amendments are set out in the circular dated 27 September 2023 sent to the shareholders. The amended and restated Bye-laws is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

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.

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.

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 2024 and is prepared in accordance with the Environmental, Social and Governance Report Guide under Appendix C2 of 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 Macau and 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.

The board of directors (the "Board") oversees the environmental, social and governance ("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. An ESG Taskforce, led by an Executive Director, has been established. The taskforce is made up of cross-functional representatives and aims to drive continuous improvement in the Group's ESG performance.

We performed a materiality review based on a peer review and stakeholder engagement process that determines the material ESG aspects to the Group. We compared the year-to-year environmental and social data and adopted a consistent environmental data treatment approach to allow a fair comparison of our environmental performance over time.

Stakeholder engagement

The Group strives to create long-term value for our stakeholders. The Group maintains ongoing dialogue and engages with key stakeholders, including customers, employees, suppliers, media, shareholders, regulators and the communities, to understand their expectations and address their concerns. The Group collects views from stakeholders regularly through a range of channels such as meetings, interviews, focus group discussions, surveys and feedback programmes.

Customer service and satisfaction

We strive to deliver outstanding experiences and meaningful value to customers. The Group's superior service has been widely recognized, as evidenced by the service awards received from various reputable organizations during the past years. SmarTone's brand and network performance are also recognized by authoritative international organizations.

For the year ended 30 June 2024, the Group received the following prestigious awards:

- **GSMA Global Mobile (GLOMO) Awards 2024**
  GSM Association (GSMA)
  Best Mobile Innovation for Digital Life — Shortlisted top 5 (Project: SmarTransport Solution)

- **CAHK STAR Awards 2023**
  Communications Association of Hong Kong
  Best 5G Mobile Network Operator — Bronze Award
  Best 5G Application — Merit (Project: SmarTone 5G Ednovation Program)

- **Service Talent Award 2023**
  Hong Kong Retail Management Association
  Telecommunications Category — Supervisory Level: Gold Award
  Telecommunications Category — Junior Frontline Level: Gold Award

- **Quality Trusted E-Shop Award 2023**
  Hong Kong Retail Management Association — Quality E-Shop Recognition Scheme
  Top 10 Quality Trusted E-Shops

- **Loyalty Engagement Awards 2024 Hong Kong**
  MARKETING-INTERACTIVE
  Best Use of Mobile — Gold
  Best CX/UX Strategy — Gold
  Best Loyalty Programme (Lifestyle & Entertainment) — Gold
  Best Acquisition Strategy — Bronze
  Best CRM Strategy — Bronze

- **Best of IT Award 2023-24**
  PC Market
  Best 5G Commercial Network Operator Award

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 11% energy efficiency gain without compromising network performance. This combined effort has led to an impressive overall energy efficiency improvement of 36%, demonstrating SmarTone's commitment to sustainability and minimizing energy consumption. The new generation of base station equipment is being deployed in our network phase by phase according to the network upgrade plan and technology evolution.

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. To further reduce the possibility of inadvertent discharge of hazardous waste, starting from 2021, SmarTone partnered with Hong Kong Battery Recycle Centre Limited ("HKBR") for the recycling of all Waste Lead Acid Batteries ("WLAB") disposed of from the switching centers and data center. HKBR is the first facility in Hong Kong that is licensed to recycle WLAB locally, providing the cleanest, safest, and most optimal solution for this hazardous waste, reusing over 90% of WLAB.

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.

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.

Climate change management

Climate change is a global challenge that affects communities and businesses as a whole. One of the consequences of climate change is extreme weather events, such as hurricanes and flooding which may affect the Group's daily operations. The Group has emergency plans to respond to possible disruptions in network and business operations. It also makes every endeavor, as mentioned in previous paragraphs under this section, to run an environmental-friendly and low-carbon emission business to help fight against global climate change.

Employment and labor practices

Employment

At SmarTone, we strive to provide an engaging, respectful and caring work environment to our employees. We embrace two-way communication. We use different internal communication channels to create a line of sight to engage our employees at all levels. We provide training and development platforms to support employees' career progression. We reward and recognize performance and behavior through pay, incentives and recognition award programs.

The Company cares about the well-being of our employees. We encourage work-life balance through a variety of work practices. We have implemented Flexi Working Hours since 2017 to support employees' needs in reporting duty. We grant a half-day paid "Family Leave" once every quarter to allow employees time off to take care of their families. We have incorporated employee needs into the workplace design, such as setting up staff lounges/breastfeeding rooms in the main office. In response to the need for stress and emotional management in today's fast-paced, information-overloaded and high-pressure society, we put in place an Employee Assistance Program to provide psychological, work and family consultations to employees and their family members to maintain their psychological health.

The Company also held a variety of staff activities throughout the year, which include:

- **Health Activities**

  The Company organized a comprehensive series of health talks and activities aimed at promoting the well-being of our employees and their families. These events covered a wide range of topics, addressing both physical and mental health concerns. A diverse group of professionals were invited to be our health trainers and speakers. Among them were physiotherapists, social workers, yoga trainers, and other experts in their respective fields.

- **Festival gatherings**

  To celebrate the festivals, we held fun parties for Christmas and Chinese New Year, bringing together colleagues from different departments to play games and enjoy delicious food. These events demonstrated the Company's commitment to fostering a vibrant and engaging work environment.

- **You-deserve-a-treat**

  Surprise gifts were given to staff as a token of thanks from the management. Gifts given during the year included moon cakes for the Mid-Autumn Festival and fruits for the summer season.

- **Interest classes**

  Throughout the year, a variety of interest classes, such as indoor climbing, were organized to provide our colleagues with the opportunity to learn something new and engaging during their leisure time. The aim was to foster a sense of curiosity and personal development among our team members, enabling them to explore different hobbies and acquire valuable skills.

The Group is an equal opportunity employer. All employees enjoy equal employment and career opportunities and no employee shall be disadvantaged because of sex, pregnancy, disability, marital status, family status, race, age, religious, beliefs or sexual orientation.

We believe that all employees have the right to work in an environment free of discrimination, harassment, vilification, and victimization. The Group will not tolerate such behavior under any circumstances.

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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Health and safety

The Group is committed to providing employees with a healthy, safe and secure work environment that is free from all recognized hazards.

We incorporate workplace safety in the design and operations of our premises and the way we conduct business. First aiders and first aid box administrators are assigned for each office, shop and facility of the Group. Employees can assess information on occupational safety and hygiene awareness through a dedicated section in the Group's intranet. All accidents at work are properly reported and handled with due care.

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 providing a safe working environment and protecting employees from occupational hazards.

Development and training

SmarTone is committed to offering learning and development opportunities for all staff members in meeting the Group and business needs.

On-boarding training and orientation are provided to help new recruits get familiar with SmarTone and equip them to handle their daily work. The Human Resources Department organizes numerous face-to-face and online training for employees in all ranks throughout the year, covering a wide range of topics including industry and business knowledge, legal and regulatory updates, communication skills, personal development, IT skills, etc. The Group also sponsors suitable employees to participate in external work-related training activities.

Labor standards

The Group adheres to applicable labor standards and strictly prohibits the use of child or 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 relating to preventing child and forced labor.

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.

Customer data privacy and security

Our employees will routinely handle or process personal data relating to the Group's customers. Employees will only collect and use personal information or data for legitimate regulatory, customer service and the Group's business purposes. They will:

- take all reasonable steps to keep personal data confidential and will only disclose this information to personnel in the Group that need to have access to the information for the purposes for which it was collected; and

- at all times respect any confidential and/or data protection obligations which may be in an agreement between the Group and a third party.

The Group's Information Security Division defines the policy on protection of customer information while the Information Services Division operates a range of controls to secure information properly against accidental or unlawful destruction, accidental loss, alteration, unauthorized disclosure or access and all other unlawful forms of processing. It covers not only handling of digital data in systems and end user computing devices but also manual handling of non-digital data such as hard copy. The policy is regularly reviewed and, if necessary, updated to comply with new laws and regulations or to address the systems and technology the Group is currently using.

The privacy policy forms part of the Group's Code of Conduct for employees and is clearly set out in the Employee Handbook. All employees are required to strictly follow.

The Group has installed a cyber security framework consisting of multi-layered defense through people, processes and technology. The layers of defense, in sequential order, are:

- People, processes, policy, practices
- Physical security (data centers, office)
- Network perimeter security (Internet facing)
- Internal network security
- Endpoint security including workstations, servers, mobile devices, etc.
- Application security
- Data security

The Group provides regular security awareness and technical training to all levels of staff. These training cover a range of topics, including awareness regarding spear phishing, social engineering attack, data privacy, PCI DSS compliance and password and data protection. Reinforcement reminders and alerts are sent to all staff as necessary.

The Group has set up an Information Security Committee ("ISC") which is chaired by the Chief Technology Officer. The ISC is composed of the technical team heads and the information security team. It holds monthly meetings to review latest cyber threats and risks, review effectiveness of implemented security controls, and provide direction for further improvements. Well-documented Information Security Policy is in place. External and internal information security assessments are carried out regularly.

The Group continuously keeps track of the local and global cyberthreat trend, steps out to uplift staff cybersecurity awareness as well as deploys state-of-the-art technology to protect its data.

SmarTone has received ISO/IEC 27001 certification for its Information Security Management System. It also complies with the Payment Card Industry Data Security Standard (PCI DSS).

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. Afterall, customers' satisfaction is our utmost priority.

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 and whistle blowing

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.

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 Whistle Blowing 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 Whistle Blowing Officer. We provide whistle blowing 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. Details of the whistle blowing procedures for external parties are available on the corporate website of SmarTone.

The above-mentioned policies on bribes, conflicts of interest and whistle blowing 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.

Community

SmarTone is dedicated to corporate social responsibility. It develops innovative products and services to meet the communication and technology needs of society. It also actively engages in a wide range of social service activities to give back to society. The Group utilizes internal resources such as technology expertise, network capacity and employees' leisure time (in respect of volunteer work) to support the social service activities.

Raising Cybersecurity Awareness

SmarTone has always placed great importance on network security and is fully committed to protecting our customers. With our exclusive group of cartoon characters, the "Guardians of Network Security", we provide information on network security and anti-scam tips, teaching the public how to identify and avoid fraudulent messages. We also offer a comprehensive range of network protection services to safeguard our customers from falling for scams, giving them peace of mind.

In March 2024, SmarTone launched Hong Kong's first "Staff Verification Code', an anti-scam measure to combat the increasing number of fraudulent phone calls, further protecting customers and minimizing the risk associated with phone scams. When customers receive a call claiming to be from a SmarTone employee and are suspicious of its authenticity, they can now request the caller to send them a one-time four-digit "Staff Verification Code" through the exclusive SmarTone CARE App or via SMS using the Registered Sender ID "#SmarTone". By verifying the same code read out by the caller, customers can instantly confirm the identity of the SmarTone employee, thus protecting themselves from falling into the trap of phone scammers.

Advancing Smart Mobility with 5G and Innovative Technology

SmarTone partners with Kowloon Motor Bus (KMB) to launch Hong Kong's first smart solution that applies image analysis systems in buses. By leveraging 5G, artificial intelligence, machine learning and IoT technology, it provides real-time information on passenger occupancy, advancing the goal of smart transportation. Passengers can now use mobile apps to access real-time information on the approximate occupancy of upcoming buses in a visual format, thus enabling them to plan their journey more effectively. Passengers can also check the number of remaining seats in the upper deck by viewing the "On-Board Occupancy Display' installed in the lower deck of buses, before deciding whether to go upstairs for seats, thus minimizing passenger movement during travel. All these would enhance the public transport experience for the passengers.

SmarTone is in the process of deploying the 3.3GHz and 3.5GHz "5G Golden Spectrum" in MTR stations. Coupled with SmarTone's earlier exclusive deployment of the 850MHz low-band 5G network in MTR stations, the network capacity in the stations has been significantly enhanced, delivering better signal penetration and overall quality. SmarTone has also extended its 5G Golden spectrum to Hong Kong International Airport and AsiaWorld-Expo. SmarTone's 5G coverage extends across Hong Kong and major transportation hubs, including major highways, 23 road tunnels, all MTR stations and major ports. This means passengers can enjoy seamless, high-quality and the best connectivity anytime, anywhere. SmarTone is committed to expanding its network coverage and enhancing connectivity performance, aiming to deliver the most advanced network for the public and the infrastructures in Hong Kong, pioneering Hong Kong's transformation into a smart city.

Nurturing the Youth

SmarTone and the Communications Association of Hong Kong co-organized the "GreenTech ICT Open Day" to inspire students at the Buddhist Wong Wan Tin College about innovation and technology, particularly in telecommunications. SmarTone experts discussed the evolution of mobile technology, the impact of AI and exciting career prospects at SmarTone. Students visited our base station, switching center and retail store, experienced the latest flagship handset and witnessed the lightning-fast 5G network.

Supporting Charities

SmarTone fully supports charity events in the city. For example, we supported the BOC Life Hong Kong Harbour Marathon 2024 by providing 5G Wi-Fi for the event. The marathon is the first-ever physical fund-raising running event that loops around Victoria Harbour, aiming to raising funds for the RunOurCity Foundation and St. James' Settlement's youth development and STEAM education projects.

We also encourage colleagues to actively participate in charity fund-raising activities, such as the Hong Kong Cyclothon and the Community Chest Corporate Challenge.

SmarTone Volunteer Service Team

SmarTone regularly offers volunteering opportunities to our staff and actively encourages and promotes volunteerism as a means of giving back directly to the community. These activities are organized by Human Resources with the enthusiastic participation of individuals who form the SmarTone Volunteer Service Team. Through their collective efforts, SmarTone staff have made positive impact on the lives of many individuals and have also gained valuable personal experiences and insights. This commitment to volunteering has been recognized and awarded, as SmarTone has received the prestigious Caring Company Scheme award every year since 2002/03.

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

- **Smartphone workshops**

  The volunteer team once again collaborated with HKSKH Lok Man Alice Kwok Integrated Service Centre to run a workshop to teach the elderly how to use the smartphones to deal with the different needs of their daily lives, including the use of transportation and instant messaging apps.

- **Meals for the needy**

  Our volunteers demonstrated their support for Gingko House by helping to prepare and distribute free meal boxes to the underprivileged. Gingko House is a social enterprise aims to promote employment for the elderly, including hiring them to work in the restaurants run by it. Gingko House also provides free meals to the needy in the neighborhood as part of its social service initiatives.

- **Visits to the elderly**

  SmarTone volunteers visited the elderly in the To Kwa Wan district, bringing them gifts and engaging in conversations to better understand their needs. Our aim is to offer them love and care. Through the visits, our volunteers identified certain hidden issues and reported them to social workers for follow-up.

Key performance indicators

Environmental Performance

	Unit	**Year ended 30 June 2024**	Year ended 30 June 2023
Greenhouse gas (GHG) emissions			
Combustion of fuels in motor vehicles (under Scope 1)	tonne CO_2e	**87**	93
Use of electricity (under Scope 2)	tonne CO_2e	**47,451**	46,353
Total GHG emissions[1]	tonne CO_2e	**47,538**	46,446
Total GHG emissions intensity	tonne CO_2e/ service revenue HK$'000	**0.011**	0.010
Energy consumption			
Electricity	MWh	**108,303**	105,453
Gasoline and diesel	MWh	**334**	357
Total energy consumption	MWh	**108,637**	105,810
Total energy consumption intensity	MWh/ service revenue HK$'000	**0.024**	0.023
Paper consumption			
Paper consumed (printing paper used during the course of business in offices, retail shops and stores)	kg	**13,175**	14,033
Paper recycled (all kinds of paper collected during the course of business and sent to recycling)	kg	**14,902**	12,617

Note:

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

Social performance

	Unit	Year ended 30 June 2024	Year ended 30 June 2023
Employee profile			
Total workforce	no. of people	**1,225**	1,277
Total workforce by rank			
— Managerial	no. of people	**317**	301
— General	no. of people	**908**	976
Total workforce by gender			
— Female	no. of people	**431**	465
— Male	no. of people	**794**	812
Total workforce by age group			
— Under 30	no. of people	**135**	173
— 30–50	no. of people	**780**	810
— Above 50	no. of people	**310**	294
Total workforce by employment type			
— Full-time	no. of people	**1,195**	1,241
— Part-time	no. of people	**30**	36
Employee turnover			
Employee turnover rate	%	**21.0%**	28.8%
Employee turnover rate by gender			
— Female	%	**24.4%**	34.8%
— Male	%	**20.0%**	25.4%
Employee turnover rate by age group			
— Under 30	%	**37.7%**	62.9%
— 30–50	%	**21.7%**	27.8%
— Above 50	%	**13.5%**	12.6%
Occupational health and safety			
Work-related fatalities[1]	no. of people	**0**	0
Lost days due to work injury	days	**83**	0

	Unit	Year ended 30 June 2024	Year ended 30 June 2023
Development and training			
Total workforce trained	no. of people	**818**	1,034
Employee trained by employee category			
— Managerial	no. of people	**283**	249
% of employees in this category	%	**89.3%**	82.7%
— General	no. of people	**535**	785
% of employees in this category	%	**58.9%**	80.4%
Employee trained by gender			
— Female	no. of people	**341**	395
% of employees of this gender	%	**79.1%**	84.9%
— Male	no. of people	**477**	639
% of employees of this gender	%	**60.1%**	78.7%
Average training hours per employee by employee category			
— Managerial	hours/employee	**6.38**	6.95
— General	hours/employee	**10.63**	16.07
Average training hours per employee by gender			
— Female	hours/employee	**6.11**	12.00
— Male	hours/employee	**11.97**	15.03
Supply Chain Management			
Number of approved suppliers by geographical location			
— Local	no.	**375**	375
— Overseas	no.	**42**	42
Product Responsibility			
Number of complaints received[2]	no. of cases	**235**	225

Notes:

1. There is no work-related fatality in each of the past three years including the year ended 30 June 2024.

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

The Directors submit their report together with the audited financial statements for the year ended 30 June 2024.

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 24 to 25, 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.

(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 2024.

(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 2024 are set out in the consolidated profit and loss account on page 80.

Dividend

The Directors recommended the payment of a final dividend for the year ended 30 June 2024 of $0.175 per share (2022/23: $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 (2022/23: $0.145 per share), makes a total dividend for the year of $0.32 per share (2022/23: $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 74.

Distributable reserves

Distributable reserves of the Company at 30 June 2024, calculated under the Company's Bye-laws and the Bermuda laws, amounted to $747,268,000 (30 June 2023: $1,117,995,000).

Donations

During the year, the Group did not make any charitable or other donations (2022/23: Nil).

Share capital

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

Directors

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

* Mr. Kwok Ping-luen, Raymond
Chairman

* Mr. Cheung Wing-yui
Deputy Chairman

Mr. Fung Yuk-lun, Allen
Deputy Chairman

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[1]

** 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*

Note:

1. Dr. Poon Sun-cheong, Patrick was appointed as a Non-Executive Director of the Company with effect from 11 April 2024.

REPORT OF THE DIRECTORS

(Financial figures are expressed in Hong Kong dollars)

In accordance with Bye-law No. 84 of the Company's Bye-laws, Mr. Cheung Wing-yui, Mr. Chau Kam-kun, Stephen, Mr. David Norman Prince, Mr. Gan Fock-kin, Eric and Mr. Lee Yau-tat, Samuel retire by rotation at the forthcoming annual general meeting. In accordance with Bye-law No. 83(2), Dr. Poon Sun-cheong, Patrick 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 his 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 2024 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 62 to 69.

(Financial figures are expressed in Hong Kong dollars)

Directors' and chief executive's interests

As at 30 June 2024, 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

	Number of shares held					
Name of Director	Personal interests (held as beneficial owner)	Other Interests	Total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares
Kwok Ping-luen, Raymond	–	5,162,337[1]	5,162,337	–	5,162,337	0.47
Fung Yuk-lun, Allen	437,359	–	437,359	–	437,359	0.04
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 represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company. Details of these share options are shown in the section titled "Share option scheme".

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

(Financial figures are expressed in Hong Kong dollars)

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

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

	Number of shares held					
Name of Director	Personal interests (held as beneficial owner)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares
Kwok Ping-luen, Raymond	188,743	568,610,186[1] 1,580,000[2]	570,378,929	–	570,378,929	19.68
Chau Kam-kun, Stephen	1,000	–	1,000	–	1,000	0.00
David Norman Prince	2,000	–	2,000	–	2,000	0.00
Siu Hon-wah, Thomas	–	7,000[3]	7,000	–	7,000	0.00
Li Ka-cheung, Eric	–	4,028[4]	4,028	–	4,028	0.00

Notes:

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

(Financial figures are expressed in Hong Kong dollars)

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

	Number of shares held					
Name of Director	Personal interests (held as beneficial owner)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of issued voting shares
Kwok Ping-luen, Raymond	–	3,485,000[1]	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	4,000,000	–	4,000,000	4,000,000[2]	8,000,000	0.34
Lau Yeuk-hung, Fiona	–	–	–	3,700,000[2]	3,700,000	0.16
Chau Kam-kun, Stephen	50,000	–	50,000	–	50,000	0.00

Notes:

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

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

				Number of share options				
Name of Director	Date of grant	Exercise price $	Exercise period*	Outstanding at 1 July 2023	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding at 30 June 2024
Fung Yuk-lun, Allen	22 May 2019	6.688	22 May 2020 to 21 May 2024	4,000,000	–	–	(4,000,000)	–
	4 May 2022	6.532	4 May 2023 to 3 May 2027	4,000,000	–	–	–	4,000,000
Lau Yeuk-hung, Fiona	22 May 2019	6.688	22 May 2020 to 21 May 2024	1,000,000	–	–	(1,000,000)	–
	5 May 2021	7.982	5 May 2022 to 4 May 2026	2,500,000	–	–	–	2,500,000
	12 January 2023	4.514	12 January 2024 to 11 January 2028	1,200,000	–	–	–	1,200,000

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

(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 2024, 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.

(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 2024 were as follows:

				Number of share options					
Grantee	Date of grant	Exercise price $	Exercise period	Outstanding at 1 July 2023	Granted during the year	Exercised during the year	Canceled during the year	Lapsed during the year	Outstanding at 30 June 2024
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:

1. 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 2023 and 30 June 2024.

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 incentive to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-caliber employees and attract human resources that are valuable to the Group or are expected to be able to contribute to the business development of the Group.

(b) Participants

Any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any director of the Company or any of its subsidiaries who has made valuable contribution to the growth of the Group based on his/her work experience, industry knowledge, performance, business connections or other relevant factors, will be eligible to participate in the 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 2024, the number of shares available for issue in respect thereof is 109,898,860 shares which represents approximately 9.97% 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.

(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 2023. No shares were granted, vested, canceled or lapsed under the Share Award Scheme during the year ended 30 June 2024.

The number of shares available for grant under the scheme mandate of the Share Award Scheme was 107,171,217 on both 1 July 2023 and 30 June 2024.

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.

(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 shareholder

As at 30 June 2024, 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	73.16%
HSBC Trustee (C.I.) Limited ("HSBCCI")[2]	807,292,867	73.24%

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 of the Company respectively. For the purpose of Part XV of the SFO, TFS was deemed to be interested in 763,199,672 shares of the Company held by Cellular 8. Accordingly, TFS had interests and deemed interests in an aggregate of 806,362,555 shares of 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 of the Company.

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

Save as disclosed above, as at 30 June 2024, 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.

(Financial figures are expressed in Hong Kong dollars)

Purchase, sale or redemption of shares

During the year ended 30 June 2024, the Company repurchased 4,205,500 shares of the Company on SEHK. These repurchased shares were cancelled prior to 30 June 2024. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid
		Highest	Lowest	
		$	$	$
September 2023	1,923,500	4.10	3.98	7,801,000
October 2023	1,014,500	4.06	3.92	4,040,000
November 2023	50,000	3.94	3.92	197,000
March 2024	398,000	3.85	3.82	1,524,000
April 2024	819,500	3.84	3.76	3,114,000
	4,205,500			16,676,000

The Directors considered that the repurchases could lead to an enhancement of the Company's earnings per share. Save as disclosed above, at no time during the year ended 30 June 2024 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Pre-emptive rights

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

Equity-linked agreements

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

Management contracts

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

(Financial figures are expressed in Hong Kong dollars)

Major suppliers and customers

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

Percentage of purchases attributable to the Group's largest supplier	27%
Percentage of purchases attributable to the Group's five largest suppliers	45%

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 2024, the aggregate amounts of right-of-use assets acquired and the payments recognized as expenses under such leases and licenses were $142,118,000 and $23,066,000 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 2024, insurance premiums paid and payable were $4,216,000.

   (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 2024, the revenue received or receivable by the Group was $11,581,000.

   (d) The Group provides information and communication technology (ICT) solutions to certain subsidiaries and associated companies of SHKP covering, among others, business digitalization, connectivity and industry-specific solutions. For the year ended 30 June 2024, the revenue received or receivable was $118,671,000.

   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 2024, 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 2024

DIRECTORS PROFILE

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

Mr. Raymond Kwok (aged 71) has been with the Group since April 1992 and was appointed Director of the Company in October 1996. He holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from Hong Kong Metropolitan University and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

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

In civic activities, Mr. Kwok is a director of The Real Estate Developers Association of Hong Kong.

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

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

Mr. Cheung Wing-yui (aged 74) was appointed Director of the Company in March 2003. Mr. Cheung received a Bachelor of Commerce degree in accountancy from The University of New South Wales, Australia and is a member of the CPA Australia. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. Mr. Cheung was also admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

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

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

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

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

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

Mr. Allen Fung (aged 56) was appointed Non-Executive Director of the Company in December 2013 and was re-designated as Executive Director in August 2020. Mr. Fung obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. He was a recipient of a Guggenheim Fellowship in 1996. Mr. Fung was a Teaching Fellow at Harvard University in 1993 to 1994 and a visiting Assistant Professor of History at Brown University in 1996 to 1997. From 1997 to 2013, Mr. Fung worked in McKinsey & Company ("McKinsey"), a global management consulting company. He was the managing partner of McKinsey Hong Kong from 2004 to 2010. In 2011, he became a director of McKinsey globally.

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

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce, the vice president of The Hong Kong Federation of Youth Groups, and has been elected a Professor of Practice at The Hong Kong Management Association, and the vice chairman of the board of The Hong Kong Philharmonic Society Limited. Mr. Fung is a board member of the Hong Kong Tourism Board, and a member of the Museum Advisory Committee of the Leisure and Cultural Services Department of the Government of the Hong Kong Special Administrative Region.

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

LAU Yeuk-hung, Fiona *Executive Director and Chief Executive Officer*

Ms. Fiona Lau (aged 42) was appointed Executive Director and Chief Executive Officer of the Company in February 2023.

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

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

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

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

DIRECTORS PROFILE

CHAU Kam-kun, Stephen *Executive Director*

Mr. Stephen Chau (aged 63) was appointed Executive Director of the Company in April 2015. He has been with the Company since 1993. He joined the Company as Head of Operations and was made Chief Technology Officer since 1999. He has been responsible for the Company's information and communications technology strategy, roadmap and deployment; he has also led the Company in a number of commercial initiatives.

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

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

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

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

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

David Norman PRINCE *Non-Executive Director*

Mr. David Prince (aged 73) was appointed Director of the Company in July 2005. Mr. Prince has over 20 years' experience of operating at board level in an international environment. Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK). He is a non-executive director of SUNeVision Holdings Ltd. He is also a director of Wilson Group Limited and a consultant of Sun Hung Kai Real Estate Agency Limited, both are wholly-owned subsidiaries of Sun Hung Kai Properties Limited.

Mr. Prince 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.

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

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

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

Mr. Thomas Siu (aged 71) was appointed Director of the Company in July 2008. Mr. Siu was the managing director of Wilson Group, which is a major transport infrastructure services provider in Hong Kong and is wholly-owned by Sun Hung Kai Properties Limited, and is currently a consultant of Wilson Group. Prior to joining Wilson Group, Mr. Siu had more than 25 years of experience in telecommunications and IT sectors. His experience covers finance, business operations and development. Mr. Siu is also a non-executive director of SUNeVision Holdings Ltd.

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

POON Sun-cheong, Patrick *Non-Executive Director*

Dr. Patrick Poon (aged 77), SBS, 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 a 40 years career in 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 since May 2024.

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

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

Dr. Eric Li (aged 71), GBS, OBE, JP, LLD, DSocSc., HonDSocSc (EdUHK), B.A., FCPA, FCA, FCPA (Aust.), was appointed Director of the Company in October 1996. Dr. Li is the honorary chairman of SHINEWING (HK) CPA Limited.

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

Dr. Li 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.

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

DIRECTORS PROFILE

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

Mr. Ng Leung-sing (aged 75) was appointed Director of the Company in June 1997. Mr. Ng is chairman of Bank of China (Hong Kong) Trustees Limited and a director of BOCHK Charitable Foundation. He is also an independent non-executive director of Nine Dragons Paper (Holdings) Limited and Grand Brilliance Group Holdings Limited.

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

Mr. Ng was the vice-chairman of Chiyu Banking Corporation Limited from 2002 to 2017, general manager of the Bank-wide Operation Department of Bank of China (Hong Kong) Limited from 2005 to 2009, and executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. He was the Chinese Representative of the Sino-British Land Commission and the trustee of the Hong Kong Government Land Fund from 1988 to 1997, a member of the Corporate Contribution Program Organization Committee of The Community Chest of Hong Kong from 1992 to 1996, a member of the Legislative Council of Hong Kong from 1996 to 2004 and from 2012 to 2016, a member of the Hong Kong Housing Authority from 1996 to 2004, a member of the Court of Lingnan University from 1999 to 2011, a member of the managing board of the Kowloon-Canton Railway Corporation from 2004 to 2007, and a member of the board of management of the Chinese Permanent Cemeteries from 2009 to 2015. Mr. Ng was also an independent non-executive director of MTR Corporation Limited from 2007 to 2017, a director of The Hong Kong Mortgage Corporation Limited from 2014 to 2018 and an independent non-executive director of Hanhua Financial Holding Co., Ltd. from 2013 to 2022.

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

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

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

Mr. Eric Gan (aged 61) was appointed Director of the Company in December 2005. Mr. Gan is the Chief Executive Officer of Cybereason Inc., a provider of endpoint detection and response software used to detect anomalous activity on networks and systems.

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

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

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

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

Mr. Kenny Lam (aged 50) was appointed Director of the Company in March 2017. Mr. Lam is currently chief executive officer of Two Sigma Asia Pacific, Limited and head of the Asia Pacific region of Two Sigma. Mr. Lam is also an independent non-executive director of Bank of East Asia (China) Limited.

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

Mr. Lam is chairman of the Executive Board for Asia of the Wharton School of the University of Pennsylvania.

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

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

Mr. Samuel Lee (aged 57) was appointed Director of the Company in April 2021. Mr. Lee is the chief executive officer of Digital Edge DC. He co-founded the company in 2020 with an aim in transforming the data center business and building digital infrastructure platforms for businesses in Asia-Pacific. With more than 25 years of experiences in the IT and telecom industry, Mr. Lee is widely recognized as a dynamic and forward-looking business leader, with proven track record in driving business growth and expanding the data center business footprint in the Asia-Pacific region.

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

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

DIRECTORS PROFILE

Peter KUNG *Independent Non-Executive Director*

Mr. Peter Kung (aged 62) was appointed Director of the Company in March 2022. Mr. Kung is a member of the 13th and 14th National Committee of the Chinese People's Political Consultative Conference. He is currently Vice President of Guangdong's Association For Promotion of Cooperation between Guangdong, Hong Kong & Macao and Guangdong-HK-Macao Bay Area Entrepreneurs Union. He is also a member of the Chief Executive's Policy Unit Expert Group (Economic Advancement) of the Government of the Hong Kong Special Administrative Region. Mr. Kung is also a member of the Council of The Chinese University of Hong Kong.

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

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

Mr. Kung is an independent non-executive director and chairman of the audit committee of ORIX Asia Limited, 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. He has been a China Tax Advisor to Sun Hung Kai Real Estate Agency Limited since October 2019.

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

Notes:

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

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

Ms. Lau Yeuk-hung, Fiona, Executive Director, entered into an agreement with the Group for her serving as an Executive Director and the Chief Executive Officer of the Company, with no fixed term of service. Ms. Lau is entitled to a basic salary which is subject to review by the Board from time to time with reference to her responsibility and performance. She is also entitled to a discretionary performance bonus, the computation of which is based on her performance and contributions to the Group. Ms. Lau's appointment as a director of the Company is subject to retirement by rotation and re-election by shareholders at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Ms. Lau is entitled to a director's fee which is determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

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

The details of the emoluments of the Directors on a named basis for the year ended 30 June 2024 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 2024 are disclosed in the "Directors' and chief executive's interests" section of the Report of the Directors on pages 49 to 52 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 Talents

We offer our team a variety of training and career advancement options, such as interdepartmental exchanges, skill-building workshops, and educational sessions. Collectively, these initiatives support the complete development of individuals, helping them unlock their full potential and enhance their professional skills.

2. Supporting Our Staff

We encourage a healthy work-life balance and foster a comfortable workplace atmosphere. We host a variety of holiday festivities and wellness activities, enabling employees to fully enjoy their free time and engage in personal interests.

1. Green 5G Network

During the year, we have introduced innovative carbon film coating technology on the HVAC condensers of our chiller units. This advanced technology represents a significant step forward in enhancing the energy efficiency of our operations.

By applying this new coating, we have achieved a remarkable 6% reduction in power consumption, which directly contributes to our environmental goals. Additionally, the technology not only improves the efficiency of our HVAC systems but also extends their lifespan, reducing the need for frequent replacements and maintenance.

These enhancements reflect our commitment to minimizing our carbon footprint while ensuring optimal performance across our infrastructure. We believe that integrating such sustainable practices is crucial for fostering a greener future in our 5G network operations.


Outlook of air-cooled chiller


Chiller condenser before carbon film coating treatment

2. Supporting the Hong Kong Athletes

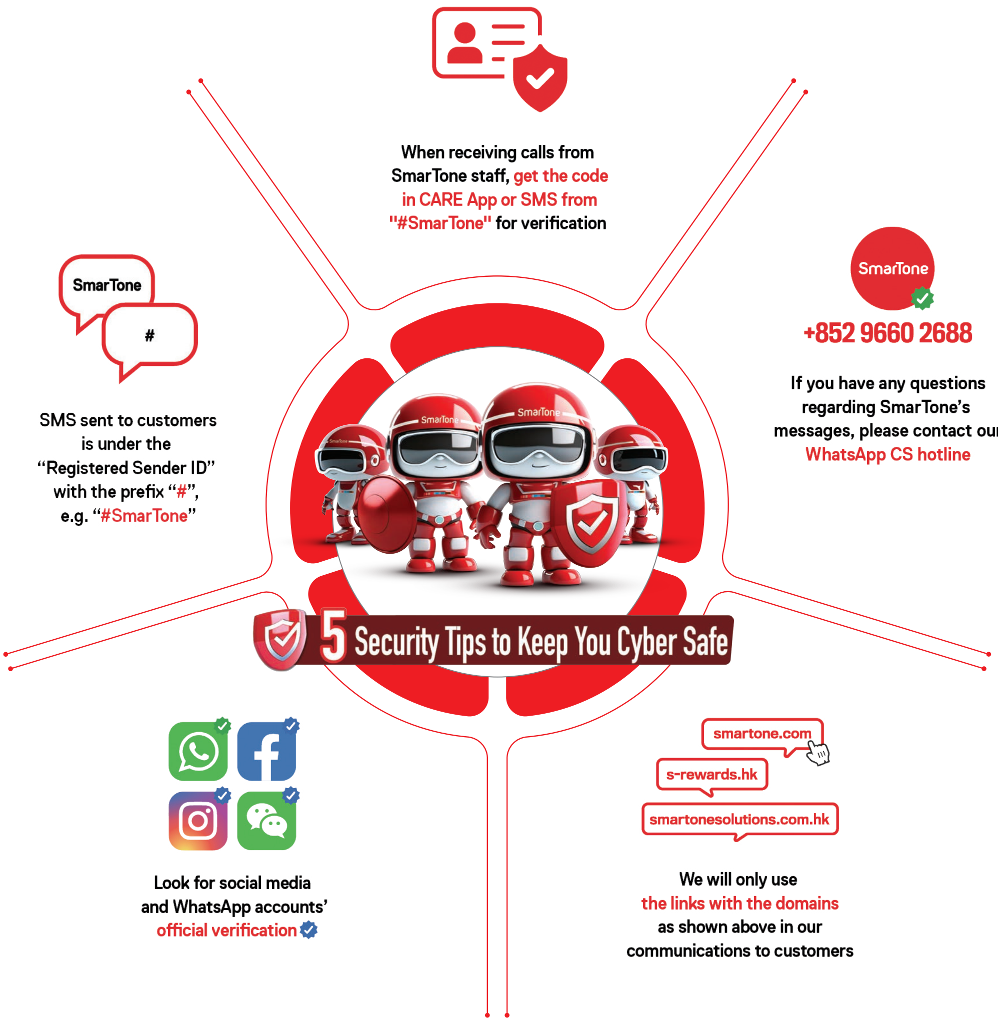
SmarTone is committed to supporting Hong Kong athletes and the local sports community. During the Paris Olympic Games 2024, we provided free local data, enabling our customers to watch the events anytime and anywhere, showcasing our support for the Hong Kong Team. We also expressed our gratitude to Olympic Hong Kong Team athletes for their hard work and dedication by offering all 35 athletes with free lifetime data. And our enterprise solutions arm, SmarTone Solutions sponsored reliable roaming services for the Hong Kong Team competing at Paris 2024 Paralympic Games for them to stay in touch with during their Paralympic journey.

COMMUNITY INITIATIVES

3. Enhancing Cybersecurity Awareness

SmarTone prioritizes network security and is committed to safeguarding our customers. We have launched Hong Kong's first "Staff Verification Code" to bolster protection and reduce the risks associated with phone scams.

Our comprehensive approach to customer safety includes regularly sharing updated anti-scam advice through our "5 Tips for Security" initiative. This ongoing communication encourages customers to remain vigilant and improve their understanding of network security, empowering them to recognize and respond to increasingly sophisticated fraudulent messages, calls, and links, especially as fraud cases continue to rise.



4. Supporting the Community

In partnership with social welfare organizations like Gingko House and the Hong Kong Sheng Kung Hui Lok Man Kwok Fung Hin Integrated Service Center, we organize a range of community initiatives. These efforts include the SMART Elderly Academy, the distribution of warm meals during autumn, and the Elderly-Friendly Mobile Consultation Station.

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

GROUP FINANCIAL SUMMARY

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

	2024	2023	2022	2021	2020
Consolidated profit and loss account					
Revenues	**6,221**	6,763	6,957	6,720	6,986
Profit attributable to Company's shareholders	**470**	269	423	445	379
Basic earnings per share ($)	**0.43**	0.24	0.38	0.40	0.34
Dividends					
Total dividends	**353**	354	332	333	331
Total per share for the year ($)	**0.32**	0.32	0.30	0.30	0.295
Consolidated balance sheet					
Total assets	**11,179**	10,898	12,581	10,650	10,432
Current liabilities	**(2,944)**	(2,704)	(4,091)	(2,660)	(2,874)
Total assets less current liabilities	**8,235**	8,194	8,490	7,990	7,558
Non-current liabilities	**(3,049)**	(3,110)	(3,336)	(2,893)	(2,545)
Non-controlling interests	**–**	–	–	22	20
Net assets	**5,186**	5,084	5,154	5,119	5,033
Share capital	**110**	111	111	111	112
Reserves	**5,076**	4,973	5,043	5,008	4,921
Total equity attributable to the Company's shareholders	**5,186**	5,084	5,154	5,119	5,033

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 80 to 152, comprise:

- the consolidated balance sheet as at 30 June 2024;
- 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 policies 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

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 judgements and note 5 – Revenues The Group recognized revenue of HK$6,221 million from the provision of telecommunication services and sale of handsets and accessories for the year ended 30 June 2024. Management's judgement 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 judgements 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 judgement involved in determining the assumptions to be applied. • Assessing the appropriateness of management's judgement on the identification of performance obligations based on the contractual agreements; • Assessing the reasonableness of management's judgement 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.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 September 2024

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2024
(Expressed in Hong Kong dollars)

	Notes	2024 $000	2023 $000
Service revenue and other related service		**4,508,713**	4,546,174
Handset and accessory sales		**1,712,538**	2,216,710
Revenues	5	**6,221,251**	6,762,884
Cost of inventories sold		**(1,691,876)**	(2,199,365)
Cost of services provided		**(410,387)**	(392,289)
Staff costs	6	**(712,825)**	(730,885)
Other operating expenses, net	9	**(964,576)**	(978,229)
Depreciation, amortization and loss on disposal	9	**(1,740,985)**	(1,759,682)
Operating profit		**700,602**	702,434
Expected credit loss on financial assets at amortized cost	9	**–**	(201,257)
Finance income	7	**67,854**	84,899
Finance costs	8	**(105,280)**	(132,693)
Profit before income tax	9	**663,176**	453,383
Income tax expense	10(a)	**(193,050)**	(184,537)
Profit after income tax		**470,126**	268,846
Profit attributable to Company's shareholders		**470,126**	268,846
Earnings per share for profit attributable to Company's shareholders during the year (expressed in cents per share)	14		
Basic		**42.6**	24.3
Diluted		**42.6**	24.3

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 2024
(Expressed in Hong Kong dollars)

	2024 $000	2023 $000
Profit for the year	**470,126**	268,846
Other comprehensive loss		
Item that may be reclassified subsequently to profit and loss:		
Currency translation differences	**112**	(1,138)
Item that will not be reclassified subsequently to profit and loss:		
Fair value loss on financial asset at fair value through other comprehensive income	**(640)**	(8,903)
Other comprehensive loss for the year	**(528)**	(10,041)
Total comprehensive income for the year attributable to Company's shareholders	**469,598**	258,805

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

CONSOLIDATED BALANCE SHEET

At 30 June 2024
(Expressed in Hong Kong dollars)

	Notes	2024 $000	2023 $000
Non-current assets			
Fixed assets	16	**3,017,019**	2,925,297
Customer acquisition costs	17	**93,304**	101,702
Contract assets	18	**27,647**	32,241
Right-of-use assets	19	**867,416**	764,873
Interest in an associate	21	**3**	3
Financial asset at fair value through other comprehensive income	22	**6,651**	7,291
Financial assets at amortized cost	23	**28,305**	147,832
Intangible assets	24	**3,958,076**	4,431,409
Deposits and prepayments	25	**151,420**	79,326
Deferred income tax assets	26	**3,128**	6,447
Total non-current assets		**8,152,969**	8,496,421
Current assets			
Cash and cash equivalents	28	**1,576,915**	1,155,152
Contract assets	18	**101,830**	93,287
Trade receivables	25	**410,315**	351,339
Deposits and prepayments	25	**259,858**	252,548
Other receivables	25	**83,793**	62,565
Financial assets at amortized cost	23	**100,817**	21,749
Inventories	27	**107,069**	106,333
Tax reserve certificates	10(b)	**384,709**	359,549
Total current assets		**3,025,306**	2,402,522
Current liabilities			
Trade payables	29	**366,208**	317,302
Other payables and accruals	29	**747,888**	660,926
Contract liabilities	30	**397,804**	357,568
Lease liabilities	31	**543,633**	532,088
Current income tax liabilities	10(b)	**657,806**	611,198
Bank borrowings	32	**2,200**	2,200
Spectrum utilization fee liabilities	33	**228,366**	222,922
Total current liabilities		**2,943,905**	2,704,204

CONSOLIDATED BALANCE SHEET

At 30 June 2024
(Expressed in Hong Kong dollars)

	Notes	2024 $000	2023 $000
Non-current liabilities			
Asset retirement obligations	34	**51,811**	63,309
Contract liabilities	30	**8,496**	6,940
Lease liabilities	31	**355,743**	254,906
Bank borrowings	32	**61,600**	63,800
Spectrum utilization fee liabilities	33	**2,412,756**	2,578,218
Deferred income tax liabilities	26	**158,315**	143,079
Total non-current liabilities		**3,048,721**	3,110,252
Net assets		**5,185,649**	5,084,487
Capital and reserves			
Share capital	35	**110,226**	110,646
Reserves		**5,075,423**	4,973,841
Total equity		**5,185,649**	5,084,487

The financial statements on pages 80 to 152 were approved by the Board of Directors on 3 September 2024 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 2024
(Expressed in Hong Kong dollars)

	Notes	2024 $000	2023 $000
Cash flows from operating activities			
Profit before income tax		**663,176**	453,383
Adjustments for:			
Depreciation of fixed assets	16	**525,909**	532,220
Depreciation of right-of-use assets	19	**644,754**	660,503
Amortization of spectrum utilization fee	24	**473,333**	473,333
Amortization of customer acquisition costs	17	**87,564**	87,333
Loss on disposal of fixed assets	9	**9,425**	6,293
Expected credit loss on financial assets at amortized cost		**–**	201,257
Finance income	7	**(67,854)**	(84,899)
Finance costs	8	**105,280**	132,693
Share-based payments	6	**1,361**	2,094
		2,442,948	2,464,210
Changes in working capital			
Increase in inventories		**(736)**	(6,297)
(Increase)/decrease in contract assets, trade receivables, deposits, prepayments and other receivables		**(121,252)**	63,666
Increase in trade and other payables, accruals, contract liabilities and deferred income		**110,103**	22,694
Capitalization of customer acquisition costs	17	**(79,166)**	(101,427)
Cash generated from operations		**2,351,897**	2,442,846
Interest paid		**(37,105)**	(73,377)
Income tax paid		**(127,892)**	(103,354)
Purchase of tax reserve certificates		**(25,159)**	(11,753)
Net cash inflow from operating activities		**2,161,741**	2,254,362
Cash flows from investing activities			
Payment for purchase of fixed assets		**(601,545)**	(708,774)
Proceeds from disposal of fixed assets		**1,338**	572
Proceeds from early redemption of financial assets at amortized cost		**36,835**	–
Proceeds from disposal of financial assets at amortized cost		**–**	23,519
Payment of spectrum utilization fee	33	**(224,999)**	(219,636)
Decrease in short-term bank deposits		**–**	1,754,543
Interest received		**66,461**	80,760
Net cash (outflow)/inflow from investing activities		**(721,910)**	930,984

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2024
(Expressed in Hong Kong dollars)

	Notes	2024 $000	2023 $000
Cash flows from financing activities			
Issue of shares		**–**	4,772
Payment for repurchase of shares		**(16,676)**	(1,463)
Purchase of shares for share award scheme		**–**	(1,743)
Redemption of notes payable		**–**	(1,427,211)
Repayment of bank borrowings		**(2,200)**	(19,228)
Principal elements of lease payments		**(646,067)**	(638,845)
Dividends paid to the Company's shareholders		**(353,121)**	(331,762)
Net cash outflow from financing activities		**(1,018,064)**	(2,415,480)
Net increase in cash and cash equivalents		**421,767**	769,866
Cash and cash equivalents at beginning of the year		**1,155,152**	385,467
Effect of foreign exchange rates changes		**(4)**	(181)
Cash and cash equivalents at end of the year	28	**1,576,915**	1,155,152

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 2024
(Expressed in Hong Kong dollars)

	Attributable to the Company's shareholders								
	Share capital $000	Share premium $000	Revaluation reserve $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Exchange reserve $000	Retained profits $000	Total $000
At 30 June 2022	110,579	1,640,986	14,296	17,466	926	1,705	(1,475)	3,369,301	5,153,784
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	268,846	268,846
Other comprehensive loss									
Fair value loss on financial asset at fair value through other comprehensive income	–	–	(8,903)	–	–	–	–	–	(8,903)
Currency translation differences	–	–	–	–	–	–	(1,138)	–	(1,138)
Total comprehensive income for the year ended 30 June 2023	–	–	(8,903)	–	–	–	(1,138)	268,846	258,805
Transactions with owners									
Issue of shares	120	6,018	–	–	–	(1,366)	–	–	4,772
Share-based payments (note 6)	–	–	–	–	–	2,094	–	–	2,094
Lapse of share award	–	–	–	–	–	(141)	–	141	–
Vesting of share award	–	–	–	–	1,944	(2,044)	–	100	–
Repurchase of shares (note 35)	(53)	–	–	53	–	–	–	(1,463)	(1,463)
Purchase of shares for share award scheme	–	–	–	–	(1,743)	–	–	–	(1,743)
Payment of 2022 final dividend	–	–	–	–	–	–	–	(171,325)	(171,325)
Payment of 2023 interim dividend (note 15)	–	–	–	–	–	–	–	(160,437)	(160,437)
Total transactions with owners	67	6,018	–	53	201	(1,457)	–	(332,984)	(328,102)
At 30 June 2023	110,646	1,647,004	5,393	17,519	1,127	248	(2,613)	3,305,163	5,084,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024
(Expressed in Hong Kong dollars)

	Attributable to the Company's shareholders								
	Share capital $000	Share premium $000	Revaluation reserve $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Exchange reserve $000	Retained profits $000	Total $000
At 30 June 2023	110,646	1,647,004	5,393	17,519	1,127	248	(2,613)	3,305,163	5,084,487
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	470,126	470,126
Other comprehensive loss									
Fair value loss on financial asset at fair value through other comprehensive income	–	–	(640)	–	–	–	–	–	(640)
Currency translation differences	–	–	–	–	–	–	112	–	112
Total comprehensive income for the year ended 30 June 2024	–	–	(640)	–	–	–	112	470,126	469,598
Transactions with owners									
Share-based payments (note 6)	–	–	–	–	–	1,361	–	–	1,361
Repurchase of shares (note 35)	(420)	–	–	420	–	–	–	(16,676)	(16,676)
Payment of 2023 final dividend	–	–	–	–	–	–	–	(193,117)	(193,117)
Payment of 2024 interim dividend (note 15)	–	–	–	–	–	–	–	(160,004)	(160,004)
Total transactions with owners	(420)	–	–	420	–	1,361	–	(369,797)	(368,436)
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**

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 2024.

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 Hong Kong Financial Reporting 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) New standard and amendments to standards adopted by the Group

The Group has applied the following new standard and amendments to standards for the first time for its annual reporting period commencing on 1 July 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Account Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendment)	Initial application of HKFRS 17 and HKFRS 9 – Comparative information

The adoption of these new standard and amendments to standards did not have any material effect on the results and financial position of the Group.

(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 to existing standards not yet adopted

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

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current[1]
HKAS 1 (Amendments)	Non-current Liabilities with Covenants[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback[1]
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[1]
HKAS 21 (Amendments)	Lack of Exchangeability[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[4]
HKFRS 18	Presentation and disclosure in Financial Statements[5]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[5]

1 Effective for annual periods beginning on or after 1 January 2024.
2 To be determined
3 Effective for annual periods beginning on or after 1 January 2025.
4 Effective for annual periods beginning on or after 1 January 2026.
5 Effective for annual periods beginning on or after 1 January 2027.

The Group does not expect that these new standards and amendments to standards and interpretations to existing standards would have any material impact on its results and financial position.

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).

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.

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.

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).

(i) Spectrum utilization fee

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

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

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

(g) Fixed assets

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

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

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

Leasehold improvements	Over the lease term
Buildings	Over the lease term
Network and testing equipment	$6^2/_3$%–50%
Computer, billing and office telephone equipment	20%–$33^1/_3$%
Other fixed assets	20%–$33^1/_3$%

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

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

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

2 Summary of 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.

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.

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.

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.

2 Summary of material accounting policies *(continued)*

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

(iv) Impairment *(continued)*

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

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

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

(l) Offsetting financial instruments

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

(m) Inventories

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

(n) Trade receivables

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

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

2 Summary of material accounting policies *(continued)*

(o) Contract assets

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

(p) Cash and cash equivalents

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

(q) Share capital

Ordinary shares are classified as equity.

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

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

Shares held for share award scheme are deducted from equity.

(r) Trade and other payables

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

(s) Contract liabilities

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

2 Summary of 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 an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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

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

(u) Current and deferred income tax

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

(i) Current income tax

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

2 Summary of 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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

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

(v) Provisions

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

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

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

2 Summary of 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.

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.

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.

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) Financial guarantee

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

2 Summary of material accounting policies *(continued)*

(ae) Related parties

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

(af) Government grants

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

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

3 Critical accounting estimates and judgements

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

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

(a) Revenue recognition

Management's judgement 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.

3 Critical accounting estimates and judgements *(continued)*

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

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

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

(d) Current and deferred income tax

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

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

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

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

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

4 Financial risk management

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

Risk	Exposure arising from	Measurement
Market risk – foreign exchange	Future commercial transactions	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.

(a) Financial risk factors

(i) Market risk

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

Foreign exchange risk

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

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

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Foreign exchange risk (continued)

Exposure

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

	2024	2023
	$000	$000
Financial assets at amortized cost	**129,122**	169,581
Financial asset at fair value through other comprehensive income	**6,651**	7,291
Trade receivables	**53,030**	45,492
Cash and cash equivalents	**180,611**	203,467
Trade payables	**(66,028)**	(80,139)
Other payables and accruals	**(6,956)**	(3,804)
	296,430	341,888

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	
	2024	2023
	$000	$000
US/HK$ exchange rate – increase 1%*	**2,964**	3,419
US/HK$ exchange rate – decrease 1%*	**(2,964)**	(3,419)

* Holding all other variables constant

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from the holding of bank deposits and bank borrowings. Bank 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.

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(i) Market risk *(continued)*

Cash flow and fair value interest rate risk (continued)

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

	2024 $000	**% of total borrowings**	2023 $000	% of total borrowings
Variable rate borrowings	**63,800**	**100%**	66,000	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	
	2024 $000	2023 $000
Interest rates – increase by 100 basis points*	**15,040**	10,833
Interest rates – decrease by 100 basis points*	**(15,040)**	(10,833)

* 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 2024, 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 $665,000 (2023: $729,000) respectively.

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk

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

Risk management

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

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

Impairment

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

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

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

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

The overall impact of impairment of the contract assets on the consolidated financial statements is considered by management. Management considered the lifetime expected losses with respect to these contract assets were minimal as at 30 June 2024 and the Group made no write-offs or provision for these contract assets during the year.

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

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

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

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

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

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

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

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

Significant increase in credit risk (Stage 2)

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

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

Definition of default (Stage 3)

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

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

Maximum exposure and year-end staging

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

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	$000	$000	$000	$000
At 30 June 2024				
Financial assets at amortized cost	**63,876**	**39,824**	**256,870**	**360,570**
At 30 June 2023				
Financial assets at amortized cost	104,033	40,351	257,454	401,838

4 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Credit risk *(continued)*

Impairment (continued)

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

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	$000	$000	$000	$000
At 1 July 2023	–	–	232,257	232,257
Exchange differences	–	–	(809)	(809)
At 30 June 2024	**–**	**–**	**231,448**	**231,448**

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

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

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 2024	Changes in ECL recorded in profit and loss for the year ended 30 June 2024 $M	ECL balance as at 30 June 2024 $M	Scenario	Scenario probability %	Payment terms
Issuer 1	25 August 2022 – 9 June 2024	6.5%–7.5%	WR	–	99.0	– Restructuring – Straight sale – Liquidation	2.5%–60%	7
Issuer 2	28 March 2024 – 7 November 2024	6.45%–6.55%	WR	–	82.2	– Restructuring – Straight sale – Liquidation	2.5%–60%	5
Issuer 3	1 September 2023	7.88%	WR	–	50.2	– Restructuring – Straight sale – Liquidation	2.5%–60%	2–7
				–	231.4			

Issuer	Maturity dates	Coupon rate %	Credit rating 30 June 2023	Changes in ECL recorded in profit and loss for the year ended 30 June 2023 $M	ECL balance as at 30 June 2023 $M	Scenario	Scenario probability %	Payment terms
Issuer 1	25 August 2022 – 9 June 2024	6.5%–7.5%	Caa2	71.8	99.3	– Restructuring – Straight sale – Liquidation	2.5%–60%	7
Issuer 2	28 March 2024 – 7 November 2024	6.45%–6.55%	Ca	81.7	82.5	– Restructuring – Straight sale – Liquidation	2.5%–60%	5
Issuer 3	1 September 2023	7.88%	WR	48.7	50.5	– Restructuring – Straight sale – Liquidation	2.5%–60%	2–7
				202.2	232.3			

For other financial assets at amortized cost under stage 1 and stage 2, the coupon rates are ranging from 4.5% to 6.7% (30 June 2023: 4.5% to 6.7%), with maturity dates ranging from 24 August 2024 to 30 March 2028 and credit rating ranging from Ba2 to Caa2 (30 June 2023: from Ba1 to B1).

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 2024						
Trade payables	**366,208**	**–**	**–**	**–**	**366,208**	**366,208**
Other payables and accruals	**585,754**	**–**	**–**	**–**	**585,754**	**585,754**
Bank borrowings (include interest payable)	**4,459**	**6,771**	**17,211**	**53,557**	**81,998**	**63,800**
Spectrum utilization fee liabilities	**230,493**	**236,122**	**743,537**	**1,828,117**	**3,038,269**	**2,641,122**
Lease liabilities	**571,532**	**250,093**	**111,547**	**8,070**	**941,242**	**899,376**
Total	**1,758,446**	**492,986**	**872,295**	**1,889,744**	**5,013,471**	**4,556,260**
At 30 June 2023						
Trade payables	317,302	–	–	–	317,302	317,302
Other payables and accruals	510,279	–	–	–	510,279	510,279
Bank borrowings (include interest payable)	4,465	4,382	17,427	60,411	86,685	66,038
Spectrum utilization fee liabilities	224,999	230,493	725,809	2,081,966	3,263,267	2,801,140
Lease liabilities	540,884	199,479	57,834	931	799,128	786,994
Total	1,597,929	434,354	801,070	2,143,308	4,976,661	4,481,753

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

The following table presents the Group's financial assets that are measured and recognized at fair value at 30 June 2024 and 2023.

	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 2024	**–**	**6,651**	**–**	**6,651**
At 30 June 2023	–	7,291	–	7,291

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

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 comprise revenues from the provisions of mobile telecommunications services and the sales of handsets and accessories. An analysis of revenues is as follows:

	2024	2023
	$000	$000
Mobile telecommunications services	**4,508,713**	4,546,174
Handsets and accessories sales	**1,712,538**	2,216,710
	6,221,251	6,762,884

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:

	2024	2023
	$000	$000
Timing of revenue recognition:		
Over time	**4,508,713**	4,546,174
At a point in time	**1,712,538**	2,216,710
	6,221,251	6,762,884

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

	2024	2023
	$000	$000
Wages and salaries	**638,246**	651,130
Bonuses	**32,600**	37,610
Contributions to defined contribution plans	**40,618**	40,051
Share-based payments	**1,361**	2,094
	712,825	730,885

7 Finance income

	2024	2023
	$000	$000
Interest income from financial assets at amortized cost	**6,937**	19,335
Interest income from bank deposits	**60,917**	65,564
	67,854	84,899

8 Finance costs

	Notes	**2024 $000**	2023 $000
Interest expense on bank borrowings		**2,338**	45,858
Accretion expenses			
Spectrum utilization fee liabilities	33	**64,981**	68,741
Lease liabilities	31	**34,729**	15,743
Asset retirement obligations	34	**493**	803
Net exchange loss on financing activities	13	**361**	1,548
Loss on early redemption of financial assets at amortized cost		**2,378**	–
		105,280	132,693

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	**2024 $000**	2023 $000
Other operating expenses, net			
– Network costs		**568,023**	533,434
– Short-term and low-value leases		**30,979**	28,748
– Impairment loss of trade receivables	25	**2,970**	2,954
– Auditor's remuneration			
– Audit services		**2,558**	2,559
– Non-audit services		**840**	815
– Net exchange gain	13	**(1,423)**	(664)
– Others		**360,629**	410,383
Loss on disposal of fixed assets		**9,425**	6,293
Depreciation of fixed assets	16	**525,909**	532,220
Depreciation of right-of-use assets	19	**644,754**	660,503
Amortization of spectrum utilization fee	24	**473,333**	473,333
Amortization of customer acquisition costs	17	**87,564**	87,333
(Reversal of impairment loss)/impairment loss of inventories	27	**(1,671)**	376
Expected credit loss on financial assets at amortized cost (Note)		**–**	201,257

Note: Expected credit loss was recognized 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.

10 Income tax

(a) Income tax in the consolidated profit and loss account reports:

	2024 $000	2023 $000
Current income tax		
Hong Kong profits tax	**172,700**	161,764
Non-Hong Kong tax	**1,700**	1,619
Under/(over)-provision in prior years		
Hong Kong profits tax	**95**	(6,139)
Total current income tax expense	**174,495**	157,244
Deferred income tax expense	**18,555**	27,293
Income tax expense	**193,050**	184,537

A reconciliation of the tax expense applicable to profit before income tax at the Hong Kong tax rate to the income tax expense at the Group's effective tax rate is as follows:

	2024 $000	2023 $000
Profit before income tax	**663,176**	453,383
Tax at the Hong Kong tax rate of 16.5% (2023: 16.5%)	**109,424**	74,808
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Anti-epidemic fund	**–**	(144)
Interest income	**(10,996)**	(12,321)
Net exchange loss	**56**	254
Expected credit loss on financial assets at amortized cost	**–**	33,208
Temporary differences/non-deductible expenses	**88,739**	89,791
Difference in non-Hong Kong tax rates	**1,885**	1,682
Under/(over)-provision in prior years	**95**	(6,139)
Tax loss not recognized	**3,847**	3,398
Income tax expense	**193,050**	184,537

(b) Included in the current income tax liabilities was a provision of $570 million (2023: $496 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 $385 million (2023: $360 million) have been purchased in this regard.

11 Five highest paid individuals

Of the five highest paid individuals, two (2023: two) are directors whose emoluments are disclosed in note 41. The aggregate of the emoluments in respect of the other three (2023: three) individuals are as follows:

	2024 **$000**	2023 $000
Salaries, allowances and benefits in kind	**8,282**	8,572
Bonuses	**696**	650
Retirement scheme contributions	**511**	384
Share-based payments	**–**	9
	9,489	9,615

The emoluments of the three (2023: three) highest paid individuals are within the following bands:

	2024 **Number of Individuals**	2023 Number of Individuals
$2,500,001–$3,000,000	**1**	1
$3,000,001–$3,500,000	**1**	2
$3,500,001–$4,000,000	**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 2024, all available forfeited contributions had been utilized by the Group to reduce its contributions payable (2023: 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 (2023: same). Contributions to the scheme vest immediately.

13 Net exchange (gain)/loss

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

	2024 **$000**	2023 $000
Other operating expenses, net (note 9)	**(1,423)**	(664)
Finance costs (note 8)	**361**	1,548
	(1,062)	884

(Expressed in Hong Kong dollars)

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).

	2024	2023
	Cents	Cents
Basic earnings per share attributable to Company's shareholders	**42.6**	24.3

(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.

	2024	2023
	Cents	Cents
Diluted earnings per share attributable to Company's shareholders	**42.6**	24.3

14 Earnings per share *(continued)*

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

	2024	2023
	$000	$000
Profit attributable to Company's shareholders used in calculating basic earnings per share and diluted earnings per share	**470,126**	268,846

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

	2024	2023
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (less shares held for share award scheme)	**1,103,917,568**	1,105,815,931
Adjustments for calculation of diluted earnings per share:		
Effect of awarded shares	**2,172**	106,610
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,103,919,740**	1,105,922,541

15 Dividends

	2024	2023
	$000	$000
Interim dividend, paid, of 14.5 cents (2023: 14.5 cents) per fully paid share	**160,004**	160,437
Final dividend, proposed, of 17.5 cents (2023: 17.5 cents) per fully paid share	**192,895**	193,117
	352,899	353,554

At a meeting held on 3 September 2024, 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 2025.

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

16 Fixed assets

	Leasehold improvements $000	Buildings $000	Network and testing equipment $000	Computer, billing and office telephone equipment $000	Other fixed assets $000	Network under construction $000	Total $000
At 1 July 2022							
Cost	251,883	156,839	8,904,325	1,171,647	201,756	189,133	10,875,583
Accumulated depreciation and impairment	(240,880)	(43,953)	(6,740,982)	(1,001,995)	(107,191)	(4,370)	(8,139,371)
Net book amount	11,003	112,886	2,163,343	169,652	94,565	184,763	2,736,212
Year ended 30 June 2023							
Opening net book amount	11,003	112,886	2,163,343	169,652	94,565	184,763	2,736,212
Exchange differences	(161)	(253)	–	(282)	(62)	–	(758)
Additions	12,612	–	956	107,817	92,860	514,683	728,928
Reclassifications	(1,589)	–	553,310	14,937	(17,459)	(549,199)	–
Disposals	–	–	(4,447)	(17)	(1,859)	(542)	(6,865)
Depreciation (note 9)	(5,182)	(4,840)	(419,765)	(59,486)	(42,947)	–	(532,220)
Closing net book amount	16,683	107,793	2,293,397	232,621	125,098	149,705	2,925,297
At 30 June 2023							
Cost	253,433	156,289	9,236,096	1,268,603	272,005	154,075	11,340,501
Accumulated depreciation and impairment	(236,750)	(48,496)	(6,942,699)	(1,035,982)	(146,907)	(4,370)	(8,415,204)
Net book amount	16,683	107,793	2,293,397	232,621	125,098	149,705	2,925,297
Year ended 30 June 2024							
Opening net book amount	**16,683**	**107,793**	**2,293,397**	**232,621**	**125,098**	**149,705**	**2,925,297**
Exchange differences	**9**	**25**	**–**	**33**	**18**	**–**	**85**
Additions	**501**	**–**	**482**	**91,823**	**26,766**	**508,737**	**628,309**
Reclassifications	**–**	**–**	**428,309**	**–**	**–**	**(428,309)**	**–**
Disposals	**(3)**	**–**	**(7,053)**	**(8)**	**(3,674)**	**(25)**	**(10,763)**
Depreciation (note 9)	**(7,112)**	**(4,341)**	**(405,415)**	**(49,199)**	**(59,842)**	**–**	**(525,909)**
Closing net book amount	**10,078**	**103,477**	**2,309,720**	**275,270**	**88,366**	**230,108**	**3,017,019**
At 30 June 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**

At 30 June 2024, buildings with a carrying amount of $62,990,000 (2023: $65,429,000) were pledged as security for bank borrowings of the Group (note 32).

17 Customer acquisition costs

	$000
At 1 July 2022	
Cost	179,157
Accumulated amortization	(91,549)
Net book amount	87,608
Year ended 30 June 2023	
Opening net book amount	87,608
Additions	101,427
Amortization (note 9)	(87,333)
Closing net book amount	101,702
At 30 June 2023	
Cost	280,584
Accumulated amortization	(178,882)
Net book amount	101,702
Year ended 30 June 2024	
Opening net book amount	**101,702**
Additions	**79,166**
Amortization (note 9)	**(87,564)**
Closing net book amount	**93,304**
At 30 June 2024	
Cost	**179,946**
Accumulated amortization	**(86,642)**
Net book amount	**93,304**

18 Contract assets

	2024			2023		
	Current $000	**Non-current $000**	**Total $000**	Current $000	Non-current $000	Total $000
Contract assets	**101,830**	**27,647**	**129,477**	93,287	32,241	125,528

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:

	2024 $000	2023 $000
Leasehold land and land use rights	**6,621**	7,177
Transmission sites	**690,937**	615,042
Offices, warehouses and retail stores	**161,282**	132,001
Leased lines	**8,576**	10,653
	867,416	764,873

Additions to the right-of-use assets with the corresponding increase in lease liabilities and assets retirement obligations during the year ended 30 June 2024 were $758,405,000 (2023: $521,210,000) and $1,728,000 (2023: $2,821,000) respectively.

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

	2024 $000	2023 $000
Leasehold land and land use rights	**622**	629
Transmission sites	**536,448**	553,363
Offices, warehouses and retail stores	**105,608**	104,412
Leased lines	**2,076**	2,099
	644,754	660,503

(Expressed in Hong Kong dollars)

20 Subsidiaries

Particulars of the principal subsidiaries at 30 June 2024 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Group equity interest 2024	Group equity interest 2023
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%
SmarTone Finance Limited	BVI	Issuance of guaranteed notes in Hong Kong	1 ordinary share of US$1 each US$1	**100%**	100%
Birdie Mobile Limited	Hong Kong	Provision of local and international telecommunications services and mobile services and sales of accessories in Hong Kong	2 ordinary shares $2	**100%**	100%
SmarTone-Comunicações Móveis, S.A.	Macau	Provision of mobile services and sales of handsets and accessories in Macau	100,000 shares of MOP100 each MOP10,000,000	**100%**	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 Mainland China	Registered capital of $27,400,000	**100%**	100%

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

All of the above subsidiaries are limited liability companies.

21 Interest in an associate

	2024 $000	2023 $000
Share of net assets	**3**	3

During the year ended 30 June 2024, there is no movement of share of net assets of interest in an associate (2023: same).

Particulars of the associate at 30 June 2024 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares held	Interest held 2024	Interest held 2023
New Top Finance Limited	BVI	Investment holding in BVI	375 ordinary shares of US$1 each	**37.5%**	37.5%

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

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

22 Financial asset at fair value through other comprehensive income

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

Financial asset at fair value through other comprehensive income comprise:

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

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

	2024 $000	2023 $000
Non-current asset		
Unlisted security	**6,651**	7,291

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

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

(c) Amounts recognized in other comprehensive income

During the year, the following loss was recognized in other comprehensive income.

	2024	2023
	$000	$000
Loss recognized in other comprehensive income	**(640)**	(8,903)

(d) Fair value and risk exposure

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

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

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

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

23 Financial assets at amortized cost

Financial assets at amortized cost include the following:

		2024			2023	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Listed investments	**332,265**	**28,305**	**360,570**	223,504	178,334	401,838
Less: expected credit loss allowance	**(231,448)**	**–**	**(231,448)**	(201,755)	(30,502)	(232,257)
	100,817	**28,305**	**129,122**	21,749	147,832	169,581

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

	2024	2023
	$000	$000
Fair values of financial assets at amortized cost	**103,064**	145,922

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

24 Intangible assets

	Spectrum utilization fee $000
At 1 July 2022	
Cost	6,986,541
Accumulated amortization	(2,081,799)
Net book amount	4,904,742
Year ended 30 June 2023	
Opening net book amount	4,904,742
Amortization (note 9)	(473,333)
Closing net book amount	4,431,409
At 30 June 2023	
Cost	6,986,541
Accumulated amortization	(2,555,132)
Net book amount	4,431,409
Year ended 30 June 2024	
Opening net book amount	**4,431,409**
Amortization (note 9)	**(473,333)**
Closing net book amount	**3,958,076**
At 30 June 2024	
Cost	**6,986,541**
Accumulated amortization	**(3,028,465)**
Net book amount	**3,958,076**

25 Trade and other receivables

	2024			2023		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Trade receivables	**415,452**	**–**	**415,452**	357,629	–	357,629
Less: loss allowance	**(5,137)**	**–**	**(5,137)**	(6,290)	–	(6,290)
	410,315	**–**	**410,315**	351,339	–	351,339
Other receivables	**83,793**	**–**	**83,793**	62,565	–	62,565
	494,108	**–**	**494,108**	413,904	–	413,904
Deposits	**85,628**	**71,407**	**157,035**	93,569	61,065	154,634
Prepayments	**174,230**	**80,013**	**254,243**	158,979	18,261	177,240
Total trade and other receivables	**753,966**	**151,420**	**905,386**	666,452	79,326	745,778

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 (2023: same). An ageing analysis of trade receivables, net of provision, based on invoice date is as follows:

	2024	2023
	$000	$000
Current to 30 days	**323,423**	280,536
31–60 days	**14,989**	16,490
61–90 days	**10,152**	7,005
Over 90 days	**61,751**	47,308
	410,315	351,339

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 $2,970,000 (2023: $2,954,000) for the impairment of its trade receivables during the year ended 30 June 2024.

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

	2024	2023
	$000	$000
At beginning of the year	**6,290**	6,818
Impairment loss recognized in the consolidated profit and loss account (note 9)	**2,970**	2,954
Amounts written off during the year	**(4,123)**	(3,482)
At end of the year	**5,137**	6,290

At 30 June 2024, trade receivables of $5,137,000 (2023: $6,290,000) were impaired and fully provided. The individually impaired receivables mainly relate to independent customers that were in financial difficulties. The ageing of these receivables is as follows:

	2024	2023
	$000	$000
Past due 31–60 days	**335**	498
Past due 61–90 days	**548**	501
Past due over 90 days	**4,254**	5,291
	5,137	6,290

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

26 Deferred income tax

Deferred income tax for the Group's temporary differences arising from operations in Hong Kong and non-Hong Kong is calculated at 16.5% (2023: 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	Tax losses $000	Total $000
At 1 July 2022	82	7,386	7,468
Recognized in the consolidated profit and loss account	(8)	(1,013)	(1,021)
At 30 June 2023	74	6,373	6,447
At 1 July 2023	**74**	**6,373**	**6,447**
Recognized in the consolidated profit and loss account	**32**	**(3,351)**	**(3,319)**
At 30 June 2024	**106**	**3,022**	**3,128**

(b) Deferred income tax liabilities

	Accelerated depreciation allowance $000
At 1 July 2022	116,807
Recognized in the consolidated profit and loss account	26,272
At 30 June 2023	143,079
At 1 July 2023	**143,079**
Recognized in the consolidated profit and loss account	**15,236**
At 30 June 2024	**158,315**

26 Deferred income tax *(continued)*

(c) Tax losses

	2024 $000	2023 $000
Unused tax losses for which no deferred tax asset has been recognized	**165,503**	163,267
Potential tax benefit	**20,646**	20,386

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 $20,646,000 (2023: $20,386,000) in respect of tax losses of $165,503,000 (2023: $163,267,000). Under the current tax legislation, unrecognized tax losses of $148,057,000 (2023: $145,612,000) related to the subsidiary operating in Macau are subject to an expiry period of three years from the year in which the tax loss arises. The remaining tax losses do not expire under current tax legislation.

27 Inventories

	2024 $000	2023 $000
Handsets and accessories, at cost	**91,655**	87,155
Others, at cost	**17,949**	23,701
Less: provision for slow-moving and obsolete inventories	**(2,535)**	(4,523)
	107,069	106,333

The Group recognized reversal of impairment loss of $1,671,000 (2023: impairment loss of $376,000) for slow-moving and obsolete inventories during the year ended 30 June 2024. The amount has been included in “cost of inventories sold” in the consolidated profit and loss account.

28 Cash and cash equivalents

	2024	2023
	$000	$000
Cash at bank and in hand	**101,092**	50,833
Short-term bank deposits with original maturities of 3 months or less	**1,475,823**	1,104,319
Cash and cash equivalents per consolidated cash flow statement	**1,576,915**	1,155,152
Maximum exposure to credit risk	**1,575,032**	1,153,468

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:

	2024	2023
	$000	$000
Hong Kong dollars	**1,387,647**	945,364
US dollars	**180,611**	203,467
Renminbi	**7,113**	4,251
Others	**1,544**	2,070
	1,576,915	1,155,152

29 Trade and other payables

	2024	2023
	$000	$000
Trade payables (a)	**366,208**	317,302
Other payables and accruals (b)	**747,888**	660,926
	1,114,096	978,228

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

	2024	2023
	$000	$000
Current to 30 days	**146,192**	193,061
31–60 days	**81,128**	59,838
61–90 days	**52,846**	26,589
Over 90 days	**86,042**	37,814
	366,208	317,302

The carrying amount of the Group's trade payables are mainly denominated in Hong Kong dollars which accounted for 80% (2023: 73%).

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

	2024	2023
	$000	$000
Accrued expenses	**349,214**	343,115
Payables for fixed assets	**245,699**	179,048
Receipt in advance	**117,018**	111,422
Customer deposits	**35,957**	27,341
	747,888	660,926

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

30 Contract liabilities

	2024			2023		
	Current $000	**Non-current $000**	**Total $000**	Current $000	Non-current $000	Total $000
Contract liabilities						
— Mobile telecommunications service contracts	**397,804**	**8,496**	**406,300**	357,568	6,940	364,508

Revenue in relation to mobile telecommunications service contracts, which was included in the contract liabilities balance at the beginning of the year amounting to $358 million, was recognized during the year ended 30 June 2024 (2023: $332 million).

(i) Unsatisfied long-term fixed price contracts

	2024 $000	2023 $000
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully satisfied	**4,138,995**	4,014,621

Management expects that 63% (2023: 65%) of the transaction price allocated to the unsatisfied contracts as of 30 June 2024 will be recognized as revenue during the next reporting period. The remaining 37% (2023: 35%) will be recognized as revenue after the year ending 30 June 2025.

31 Lease liabilities

	2024			2023		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Lease liabilities	**543,633**	**355,743**	**899,376**	532,088	254,906	786,994

Movement of lease liabilities is as follows:

	2024	2023
	$000	$000
At beginning of the year	**786,994**	904,821
Additions	**758,405**	521,210
Payments for lease liabilities	**(680,796)**	(654,588)
Accretion expenses included in the consolidated profit and loss account (note 8)	**34,729**	15,743
Exchange differences	**44**	(192)
At end of the year	**899,376**	786,994

32 Bank borrowings

	2024			2023		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$000	**$000**	**$000**	$000	$000	$000
Secured bank borrowings	**2,200**	**61,600**	**63,800**	2,200	63,800	66,000

32 Bank borrowings *(continued)*

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

	2024	2023
	$000	$000
Between 1 and 2 years	**4,616**	2,200
Between 2 and 5 years	**11,611**	10,837
Over 5 years	**45,373**	50,763
	61,600	63,800

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

	Level 1	**Level 2**	**Level 3**	**Total**
	$000	**$000**	**$000**	**$000**
At 30 June 2024				
Secured bank borrowings	**–**	**61,600**	**–**	**61,600**

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
At 30 June 2023				
Secured bank borrowings	–	63,800	–	63,800

At 30 June 2024, 100% (2023: 100%) of the Group's bank borrowings are denominated in Hong Kong dollars.

At 30 June 2024, secured bank borrowings are secured by certain buildings of the Group (note 16) (2023: same).

33 Spectrum utilization fee liabilities

	2024 $000	2023 $000
At beginning of the year	**2,801,140**	2,952,035
Accretion expenses included in consolidated profit and loss account (note 8)	**64,981**	68,741
Payment	**(224,999)**	(219,636)
At end of the year	**2,641,122**	2,801,140
Less: spectrum utilization fee liabilities included under current liabilities	**(228,366)**	(222,922)
Non-current portion	**2,412,756**	2,578,218

Analysis of the present value of spectrum utilization fee liabilities:

	2024 $000	2023 $000
Minimum annual fees payable		
Within 1 year	**230,493**	224,999
After 1 year but within 5 years	**979,659**	956,302
Over 5 years	**1,828,117**	2,081,966
	3,038,269	3,263,267
Less: future finance charges	**(397,147)**	(462,127)
Present value of spectrum utilization fee liabilities	**2,641,122**	2,801,140
Comprising:		
Within 1 year	**228,366**	222,922
After 1 year but within 5 years	**913,464**	891,689
Over 5 years	**1,499,292**	1,686,529
	2,641,122	2,801,140

34 Asset retirement obligations

	2024	2023
	$000	$000
At beginning of the year	**63,309**	75,710
Additions	**1,728**	2,821
Accretion expenses included in consolidated profit and loss account (note 8)	**493**	803
Utilizations	**(774)**	(509)
Unused amount reversed	**(12,945)**	(15,516)
At end of the year	**51,811**	63,309

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

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

35 Share capital

	Shares of $0.1 each	$000
Authorized		
At 30 June 2023 and 30 June 2024	**2,000,000,000**	**200,000**
Issued and fully paid		
At 1 July 2022	1,105,792,101	110,579
Repurchase of shares	(527,500)	(53)
Issue of new shares upon exercise of share options	1,200,000	120
At 30 June 2023 and 1 July 2023	**1,106,464,601**	**110,646**
Repurchase of shares	**(4,205,500)**	**(420)**
At 30 June 2024	**1,102,259,101**	**110,226**

35 Share capital *(continued)*

During the year ended 30 June 2024, the Company repurchased and cancelled 4,205,500 shares on the SEHK. The total amount paid to acquire these cancelled shares of $16,676,000 was deducted from equity attributable to shareholders.

Month of repurchase	**Number of shares repurchased and cancelled**	**Price per share Highest**	**Price per share Lowest**	**Aggregate price paid $000**
September 2023	**1,923,500**	**$4.10**	**$3.98**	**7,801**
October 2023	**1,014,500**	**$4.06**	**$3.92**	**4,040**
November 2023	**50,000**	**$3.94**	**$3.92**	**197**
March 2024	**398,000**	**$3.85**	**$3.82**	**1,524**
April 2024	**819,500**	**$3.84**	**$3.76**	**3,114**
	4,205,500			**16,676**

During the year ended 30 June 2023, the Company repurchased and cancelled 359,500 shares on the SEHK. The total amount paid to acquire these cancelled shares of $1,463,000 was deducted from equity attributable to shareholders.

Month of repurchase	Number of shares repurchased and cancelled	Price per share Highest	Price per share Lowest	Aggregate price paid $000
September 2022	151,000	$4.12	$4.12	622
October 2022	147,500	$4.13	$4.08	605
November 2022	61,000	$3.87	$3.84	236
	359,500			1,463

36 Share award scheme and share option scheme

(a) Share award scheme

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

(i) Movements in share award

	2024	2023
Number of awarded shares		
Outstanding at 1 July	**–**	417,805
Vested	**–**	(388,085)
Lapsed	**–**	(29,720)
Outstanding at 30 June	**–**	–

(ii) Shares held for share award scheme

	Number of shares	$000
Opening balance at 1 July 2022	50,852	226
Acquisition of shares by the Trust	341,993	1,743
Shares utilized under share award scheme	(388,085)	(1,944)
Balance at 30 June 2023 and 1 July 2023	**4,760**	**25**
Disposal of shares by the Trust	**(4,760)**	**(25)**
Balance at 30 June 2024	**–**	**–**

(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.

36 Share award scheme and share option scheme *(continued)*

(b) Share option scheme *(continued)*

(i) Movements in share options

	Average exercise price per share	Number of share options
At 1 July 2022	–	–
Granted	**$4.47**	**8,000,000**
Exercised	**$3.98**	**(1,200,000)**
Lapsed	**$3.98**	**(2,800,000)**
At 30 June 2023 and 30 June 2024	**$4.96**	**4,000,000**

At 30 June 2023, no share options were exercisable.

At 30 June 2024, 1,200,000 share options were exercisable with average exercise price of $4.96 per share.

37 A reconciliation of liabilities arising from financing activities

	Bank borrowings $000	Guaranteed notes $000	Lease liabilities $000	Total $000
At 1 July 2022	85,128	1,425,684	904,821	2,415,633
Redemption of notes payable	–	(1,427,211)	–	(1,427,211)
Repayment of bank borrowings	(19,228)	–	–	(19,228)
Additions of lease liabilities	–	–	521,210	521,210
Payment for lease liabilities	–	–	(638,845)	(638,845)
Finance costs	100	1,527	–	1,627
Exchange differences	–	–	(192)	(192)
At 30 June 2023 and 1 July 2023	**66,000**	**–**	**786,994**	**852,994**
Repayment of bank borrowings	**(2,200)**	**–**	**–**	**(2,200)**
Additions of lease liabilities	**–**	**–**	**758,405**	**758,405**
Payment for lease liabilities	**–**	**–**	**(646,067)**	**(646,067)**
Exchange differences	**–**	**–**	**44**	**44**
At 30 June 2024	**63,800**	**–**	**899,376**	**963,176**

38 Commitments and contingent liabilities

(a) Capital commitments

	2024	2023
	$000	$000
Fixed assets		
Contracted for	**30,241**	80,289

(b) Contingent liabilities

	2024	2023
	$000	$000
Performance guarantees	**522,500**	622,500
Financial guarantees	**14,551**	3,883
	537,051	626,383

39 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 69.24% of the Company's shares as at 30 June 2024. The remaining 30.76% 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.

	2024	2023
	$000	$000
Rentals for land and buildings and transmission sites (i)	**23,066**	22,987
Depreciation and accretion expenses for land and buildings and transmission sites (i)	**99,370**	99,829
Insurance expense (ii)	**4,216**	3,917
Mobile coverage services (iii)	**11,581**	12,118
Enterprise solutions (iv)	**118,671**	83,427

39 Related party transactions *(continued)*

(a) *(continued)*

(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 2024, rental and license fees paid and payable to subsidiaries and associated companies of SHKP totalled $23,066,000 (2023: $22,987,000).

For the year ended 30 June 2024, depreciation and accretion expenses of right-of-use assets and lease liabilities totalled $99,370,000 (2023: $99,829,000).

(ii) Insurance services

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. For the year ended 30 June 2024, insurance premiums paid and payable were $4,216,000 (2023: $3,917,000).

(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 2024, the revenue received or receivable by the Group was $11,581,000 (2023: $12,118,000).

(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 2024, the revenue received or receivable was $118,671,000 (2023: $83,427,000).

(b)

At 30 June 2024, 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:

	2024 **$000**	2023 $000
Trade receivables (note 25)	**63,095**	47,938
Other receivables (note 25)	**434**	474
Deposits and prepayments (note 25)	**21,864**	22,724
Trade payables (note 29)	**7,955**	1,929
Other payables and accruals (note 29)	**5,527**	6,825

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

40 Balance sheet and reserve movement of the Company

	2024	2023
	$000	$000
Non-current asset		
Investments in subsidiaries	**8,405,177**	8,403,816
Current assets		
Cash and cash equivalents	**450**	312
Prepayments	**274**	272
Amounts due from subsidiaries	**29,818**	29,818
Tax recoverable	**47**	135
Total current assets	**30,589**	30,537
Current liabilities		
Amounts due to subsidiaries	**5,922,091**	5,552,261
Other payables and accruals	**3,426**	2,477
Total current liabilities	**5,925,517**	5,554,738
Net assets	**2,510,249**	2,879,615
Capital and reserves		
Share capital	**110,226**	110,646
Reserves (Note (a))	**2,400,023**	2,768,969
Total equity attributable to shareholders of the Company	**2,510,249**	2,879,615

The balance sheet of the Company was approved by the Board of Directors on 3 September 2024 and was signed on its behalf.

Kwok Ping-luen, Raymond
Director

Lau Yeuk-hung, Fiona
Director

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

Note (a): Reserve movement of the Company

	Company					
	Share premium $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Retained profits $000	Total $000
At 1 July 2022	1,627,190	17,466	740,115	1,704	377,094	2,763,569
Profit for the year	–	–	–	–	333,569	333,569
Transactions with owners						
Issue of shares	6,018	–	–	(1,366)	–	4,652
Share-based payments	–	–	–	2,094	–	2,094
Lapse of share award	–	–	–	(141)	141	–
Vesting of share award	–	–	1,944	(2,044)	100	–
Repurchase of shares (note 35)	–	53	–	–	(1,463)	(1,410)
Purchase of shares for share award scheme	–	–	(1,743)	–	–	(1,743)
Payment of 2022 final dividend	–	–	–	–	(171,325)	(171,325)
Payment of 2023 interim dividend	–	–	–	–	(160,437)	(160,437)
At 30 June 2023 and 1 July 2023	**1,633,208**	**17,519**	**740,316**	**247**	**377,679**	**2,768,969**
Loss for the year	**–**	**–**	**–**	**–**	**(930)**	**(930)**
Transactions with owners						
Share-based payments	**–**	**–**	**–**	**1,361**	**–**	**1,361**
Repurchase of shares (note 35)	**–**	**420**	**–**	**–**	**(16,676)**	**(16,256)**
Payment of 2023 final dividend	**–**	**–**	**–**	**–**	**(193,117)**	**(193,117)**
Payment of 2024 interim dividend	**–**	**–**	**–**	**–**	**(160,004)**	**(160,004)**
At 30 June 2024	**1,633,208**	**17,939**	**740,316**	**1,608**	**6,952**	**2,400,023**

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:

	2024								2023
	Fees $000	Salaries and allowances $000	Bonuses $000	Retirement scheme contributions $000	Estimated money value of other benefits $000	Retirement benefits $000	Share-based payments $000	Total $000	Total $000
Executive Directors									
Mr. Fung Yuk-lun, Allen	162	–	–	–	–	–	–	162	162
Ms. Lau Yeuk-hung, Fiona	144	6,077	3,831	281	183	–	1,361	11,877	2,476
Mr. Chau Kam-kun, Stephen	144	6,499	1,800	650	122	–	–	9,215	8,967
Mr. Tam Lok-man, Norman	–	–	–	–	–	–	–	–	11,081
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(1)	32	–	–	–	–	–	–	32	–
Mr. John Anthony Miller(2)	–	–	–	–	–	–	–	–	48
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*	257	–	–	–	–	–	–	257	144
Mrs. Ip Yeung See-ming, Christine* (2)	–	–	–	–	–	–	–	–	48
	2,521	**12,576**	**5,631**	**931**	**305**	**–**	**1,361**	**23,325**	24,708
2023	2,478	15,233	4,300	897	186	–	1,614		

* Independent Non-Executive Director
(1) Appointed on 11 April 2024
(2) Retired with effect from 1 November 2022

41 Benefits and interests of directors *(continued)*

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

During the years ended 30 June 2024 and 2023, 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 2024 to be Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with its shares listed on the main board of SEHK.