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SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2023 / 2024 INTERM RESULTS ANNOUNCEMENT

(All references to "\$" are to the Hong Kong dollars)

- Service revenue excluding revenue from MVNO, SMS and prepaid grew 3% amid intense market competition and a sluggish economy
- Mobile postpaid ARPU increased 1% to \$224; Customer number grew 1% to 2.65 million; 5G penetration reached 38% as of December 2023
- Roaming revenue increased 64% and reached 86% of pre-pandemic level
- Profit attributable to equity holders was \$246 million
- The Board declares an interim dividend of 14.5 cents per share, same as last year

CHAIRMAN'S STATEMENT

Business review

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

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

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

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

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

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

Dividend

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

Outlook

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

At SmarTone, we have the aspiration to enable our customers to enjoy the benefits of new technologies and digital applications. These days everyone talks about digitization and artificial intelligence (AI), but in reality for the average user, these trends may feel remote and have little relevance to daily lives. This is not surprising – many of our users do not have the expertise to select the most useful applications, and some fear they will be exposed to cyber-security threats if they try new applications. We aspire to bridge that gap. In the coming year, we are excited to roll out a series of initiatives designed to enhance our customers' ability to use their mobile devices more effectively and safely. We will also offer valuable tips and tools aimed at encouraging them to embrace a broader range of technology in their daily lives. This will enhance their productivity, personal enjoyment and privacy, nomatter which life stage our customer is at. At the end of the day, we aspire to be more than a network provider – we want to be our customers' "trusted partner in digital life".

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

Appreciation

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 22 February 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

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

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

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

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

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

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

Income tax expense amounted to \$99 million (first half of 2022/23: \$100 million), reflecting an effective tax rate of 28.7% (first half of 2022/23: 28.1%). In light of the uncertainty of the tax deductibility of the spectrum utilization fee, certain related payments have been treated as non-deductible in calculating the tax provision, which contributes to the Group effective tax rate being higher than 16.5%. The Group will continue to vigorously defend its position and pursue tax deduction of the spectrum utilization fee from the Inland Revenue Department.

Capital structure, liquidity and financial resources

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

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

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

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

Treasury policy

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

The Group is required to arrange for banks to issue performance bonds and letters of credit on its behalf.

Charges on assets

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

Interest rate exposure

As at 31 December 2023, the Group's total borrowing of \$64 million is subject to floating interest rate. Management considers the corresponding interest rate exposure will not have any material impact to the Group given the low level of borrowing. The Group does not currently undertake any interest rate hedging.

Functional currency and foreign exchange exposure

The functional currency of the Company is the Hong Kong dollar. The Group is exposed to other currency movements, principally in terms of certain trade receivables, bank deposits, financial asset at fair value through other comprehensive income, financial assets at amortized cost and trade payables denominated in United States dollars. The trade payables denominated in United States dollars is partially hedged with our deposits in United States dollars.

Contingent liabilities

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

Employees, share award scheme and share option scheme

The Group had 1,783 full-time employees as at 31 December 2023 (30 June 2023: 1,830), with the majority of them based in Hong Kong. Total staff costs were \$353 million for the period ended 31 December 2023 (first half of 2022/23: \$361 million).

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

A share award scheme was adopted by the Group as an incentive arrangement to recognize the contributions by certain employees and to attract and retain suitable personnel for the development of the Group. During the period under review, no unvested shares (30 June 2023: Nil) were outstanding as at 31 December 2023.

The Group has share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. As at 31 December 2023, 4,000,000 share options were outstanding (30 June 2023: 4,000,000).

RESULTS

The Board of Directors of SmarTone Telecommunications Holdings Limited (the “Company”) is pleased to present the consolidated profit and loss account and the consolidated statement of comprehensive income for the six months ended 31 December 2023 and the consolidated balance sheet as at 31 December 2023 of the Company and its subsidiaries (the “Group”), all of which are unaudited and condensed, along with selected explanatory notes.

Condensed Consolidated Profit and Loss Account

For the six months ended 31 December 2023

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

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2023

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

Condensed Consolidated Balance Sheet
As at 31 December 2023 and 30 June 2023

	Notes	Unaudited 31 December 2023 \$000	Audited 30 June 2023 \$000
Non-current assets			
Fixed assets		2,898,385	2,925,297
Customer acquisition costs		96,637	101,702
Contract assets		27,205	32,241
Right-of-use assets		746,921	764,873
Interest in an associate		3	3
Financial asset at fair value through other comprehensive income		9,438	7,291
Financial assets at amortized cost		-	147,832
Intangible assets		4,194,743	4,431,409
Deposits and prepayments		94,307	79,326
Deferred income tax assets		5,064	6,447
		<u>8,072,703</u>	<u>8,496,421</u>
Current assets			
Cash and cash equivalents		1,047,761	1,155,152
Contract assets		100,163	93,287
Trade receivables	10	459,826	351,339
Deposits and prepayments		237,023	252,548
Other receivables		92,537	62,565
Financial assets at amortized cost		129,260	21,749
Inventories		197,708	106,333
Tax reserve certificate		384,709	359,549
		<u>2,648,987</u>	<u>2,402,522</u>
Current liabilities			
Trade payables	11	310,710	317,302
Other payables and accruals		602,241	660,926
Contract liabilities		393,252	357,568
Lease liabilities		487,882	532,088
Current income tax liabilities		570,204	611,198
Bank borrowings		2,200	2,200
Spectrum utilization fee liabilities		225,623	222,922
		<u>2,592,112</u>	<u>2,704,204</u>

Condensed Consolidated Balance Sheet
As at 31 December 2023 and 30 June 2023

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

1 General information

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

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

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

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

2 Basis of preparation

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

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

(a) Amendments to standards adopted by the Group

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

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

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

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

2 Basis of preparation (continued)

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

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

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ¹
HKAS 1 (Amendments) HKFRS 10 and HKAS 28 (Amendments)	Non-current Liabilities with Covenants ¹ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 16 (Amendments) HK-Interpretation 5 (2020)	Lease Liability in a Sale and Leaseback ¹ 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 Exchangability ³

¹ Effective for annual periods beginning on or after 1 January 2024.

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

³ Effective for annual periods beginning on or after 1 January 2025.

3 Segment reporting

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

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

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

(a) Segment results

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

3 Segment reporting (continued)

(a) Segment results (continued)

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

3 Segment reporting (continued)

(b) Segment assets/(liabilities)

	At 31 December 2023 (Unaudited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$000
Segment assets	<u>10,094,302</u>	<u>98,914</u>	<u>528,474</u>	<u>10,721,690</u>
Segment liabilities	<u>(4,765,742)</u>	<u>(103,246)</u>	<u>(724,521)</u>	<u>(5,593,509)</u>

	At 30 June 2023 (Audited)			
	Hong Kong \$000	Macau \$000	Unallocated \$000	Consolidated \$000
Segment assets	<u>10,255,416</u>	<u>100,656</u>	<u>542,871</u>	<u>10,898,943</u>
Segment liabilities	<u>(4,955,384)</u>	<u>(104,795)</u>	<u>(754,277)</u>	<u>(5,814,456)</u>

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

4 Finance income

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

5 Finance costs

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

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

6 Profit before income tax

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

	Unaudited six months ended 31 December	
	2023	2022
	\$000	\$000
Other operating expenses, net		
- Network costs	288,324	284,531
- Short-term and low-value leases	15,081	16,931
- Impairment loss of trade receivables (note 10)	1,846	1,552
- Net exchange gain	(1,238)	(2,741)
- Others	183,128	203,089
Loss on disposal of fixed assets	7,296	2,798
Depreciation of fixed assets	264,083	270,975
Depreciation of right-of-use assets	327,477	334,473
Amortization of spectrum utilization fee	236,666	236,666
Amortization of customer acquisition costs	44,822	42,780
Share-based payments	746	1,733

7 Income tax expense

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

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

8 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

8 Earnings per share (continued)

(b) Diluted earnings per share

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

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

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

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

8 Earnings per share (continued)

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

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

9 Dividends

(a) In respect of the period

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

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

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

9 Dividends (continued)

(b) Attributable to prior year paid in the period

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

10 Trade receivables

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

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in a loss of \$1,846,000 (2022: \$1,552,000) for the impairment of its trade receivables during the six months ended 31 December 2023.

11 Trade payables

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the interim financial statements of the Group for the six months ended 31 December 2023 as well as the report of the Risk Management Committee and the report of Internal Audit. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are appropriate and in line with the market participants in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the risk management and internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2023 have not been audited but have been reviewed by the Company's external auditor.

The financial information disclosed above complies with the disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE

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

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

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

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

Hong Kong, 22 February 2024

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