SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 315)

2009 / 2010 ANNUAL RESULTS ANNOUNCEMENT

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

- Service revenue increased by 6% with data revenue growing by 38%
- EBITDA improved by 33% to $1,182 million. Net profit at $294 million was 7 times last year's
- Strong improved performance across all service portfolios, with accelerating momentum in the second half
- Proposed final dividend of 35 cents per share, making full year dividend of 52 cents per share
- Operating cash flow increased 53%, fully funding Capex and increased dividend
- Ungeared balance sheet with net cash resources of over $1.4 billion

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 30 June 2010.

Financial Highlights

In the year under review, the Company achieved growth in all major areas of operations, with improved contribution from both our mobile and wireless fixed services. Mobile benefited from increased adoption of smartphones and mobile broadband, as well as growth in our corporate business. Wireless fixed registered healthy growth in both customer numbers and revenue.

Total revenue increased by 7% to $3,957 million, driven by 6% growth in service revenue and 13% increase in handset and accessory sales. Earnings before interest, tax, depreciation, amortisation, impairment loss and loss on disposal ("EBITDA") increased by 33% to $1,182 million. Profit attributable to equity holders at $294 million was 7 times last year's. The Company repurchased over 12 million shares in the year under review and earnings per share increased to 55 cents, compared with 8 cents last year.

The Group's results included two non-recurring items comprising of accelerated depreciation and impairment loss in respect of fixed assets at its Macau operations, and deferred income tax credit, both already reported in the interim results. There has been no further impact in the second half. Excluding the impact of these two items, profit attributable to equity holders of the Company would have increased to $271 million.

Dividend

In line with the Company's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, your Board proposes a final dividend of 35 cents per share. Together with the interim dividend of 17 cents, full year dividend amounts to 52 cents per share.

Business Review

Hong Kong

In a continuing fiercely competitive market, with lower tariffs, aggressive promotional offers and ever higher handset subsidies, service revenue grew by 6% and customer number increased by 13%. Data service revenue increased significantly by 38% and accounted for 36% of service revenue. Outbound roaming revenue recovered from the lows in the second half of FY2008/09 and has now returned to the levels before the financial crisis in 2008. Customer number increased in both mobile and wireless fixed to 1,318,000 as of 30 June 2010, of which over 70% of customers were postpaid. Average postpaid churn rate in the year improved to 1.4% from 2.0% last year.

As the Company takes on more wireless fixed customers whose ARPU is lower than mobile, blended ARPU showed a modest 2% decrease to $216. This actually masked a steady increase in mobile ARPU in the past two half-years.

The improvement in this year's results was driven by strong performance across all service portfolios, together with improved operational efficiency. The expansion into the fixed market leverages on our existing network and service infrastructure, and has shown substantial improvement in revenue and contribution during the year under review. Mobile has benefited from the growing adoption of smartphones and mobile broadband, where customers' performance requirements play to our strengths. Our corporate customer base and other targeted segments also experienced accelerated growth in the second half of the financial year. Our long-held focus on superior network performance, differentiated services and unrivalled customer care is increasingly recognised in the market and by our customers. New initiatives in all these three areas are being brought to market as we accelerate to reinforce our overall brand proposition.

Initiated in 2007, the upgrade to all-IP on fibre infrastructure was completed during the year, providing for timely and efficient expansion of backhaul capacity as bandwidth demand increases. Our HSPA+ network is 28.8 Mbps ready everywhere and the upgrade to 42 Mbps will be completed by the end of 2010. Customer experience on smartphones, mobile broadband and wireless fixed broadband will continue to improve, even as customer adoption increases.

Besides an expanding range of multi-media content including live TV and video on-demand, the Company is increasingly developing proprietary applications targeted at specific customer segments. An example is *X-Power*, which enables customers to experience more of the Internet on their mobiles, allowing them to watch videos on Hong Kong's most visited websites, as well as enjoying RSS and Podcasts on demand as they browse, and other cloud-based service features. More recently, the Company launched a unique smartphone application for real-time horse racing information that sets a new benchmark in real-time massive data handling and presentation, delivering a superior proposition to racing enthusiasts.

Our focus on customer care continues to bring about enhancements to the customer experience at all touch-points. We provide frequent tips and advice directly to customers on how to better use their phones. Customers can get weekly recommendations of the latest and most useful apps, saving them time and trouble, while we organise daily workshops to show customers how to make the most of our services and their phones. Our customer service recently attained further recognition, ranking first among network operators globally in a customer satisfaction survey by a world-leading handset brand.

Macau

SmarTone Macau launched 3G service in July 2010 with a refreshed branding, offering unique and compelling multi-media and Internet propositions to Macau consumers.

Prospects

In the year under review, your Company has achieved improved performance across all major areas of operations, and this momentum is expected to continue. We anticipate wider adoption of smartphones, broadband, and wireless fixed services by our customers.

We will continue to invest in network upgrade for higher speed and capacity to stay ahead of the market's ever-increasing demands as we develop new differentiated service propositions in voice, broadband and multimedia & applications.

The Company's focus in executing its strategy will further cement its leading position in providing unbeatable and more valuable experience to targeted customer segments, and bring increased value to shareholders.

Appreciation

During the year, Mr. Michael Yick-kam Wong resigned as Non-Executive Director and Member of Audit Committee. The Board would like to take this opportunity to thank Mr. Wong for his valuable contributions to the Company over the past years. Mr. Alfred Wing-kit Tsim has been appointed as Non-Executive Director and Member of Audit Committee of the Company. I would like to welcome Mr. Tsim to the Board.

I would also like to take this opportunity to express my gratitude to our customers and shareholders for their continuing support, my fellow directors for their guidance as well as our staff for their dedication and hard work.

Raymond Ping-luen Kwok
Chairman

Hong Kong, 7 September 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

Revenues grew by 7% to $3,957 million (2008/09: $3,703 million), comprising a 6% growth in service revenue and a 13% increase in handset and accessory sales. Earnings before interest, tax, depreciation, amortisation, impairment loss and loss on disposal ("EBITDA") rose by 33% to $1,182 million (2008/09: $891 million). Operating profit increased to $328 million (2008/09: $116 million). Profit attributable to equity holders of the Company surged 6 times to $294 million (2008/09: $42 million).

Service revenue grew by $197 million to $3,452 million (2008/09: $3,255 million), amid a 13% increase in customer number. The 6% year-on-year revenue growth was driven by increased penetration of smartphones and mobile broadband, and growth in wireless fixed customer base; as well as the recovery of business travel since mid-2009. Both consumer and enterprise markets showed improving revenue trends, and the momentum remained strong.

As discussed in the 2009/10 Interim Report, the Group's results for 2009/10 were impacted by two non-recurring items with a positive impact of $23 million, comprising of accelerated depreciation and impairment loss of fixed assets, and deferred income tax credit. Excluding the impact of these non-recurring items, operating profit would have increased to $379 million (2008/09: $116 million) whereas profit attributable to equity holders of the Company would have increased to $271 million (2008/09: $42 million).

Revenues rose by $254 million or 7% to $3,957 million (2008/09: $3,703 million).

- Service revenue rose by $197 million or 6% to $3,452 million (2008/09: $3,255 million) due to higher data service and outbound roaming revenue, offsetting the decline in local airtime and inbound roaming revenue. Data service revenue grew strongly by 38%, amid increased penetration of smartphones and mobile broadband, as well as steady customer growth in wireless fixed. Towards the end of 2009/10, outbound roaming revenue had returned to the levels prior to the financial crisis in 2008. The decline in inbound roaming revenue was attributable to continued downward pressure on roaming tariffs.

  Hong Kong blended ARPU fell modestly by 2% to $216 (2008/09: $220), reflecting more wireless fixed customers whose ARPU was lower than mobile. Hong Kong blended ARPU showed a consistent improvement trend since the lows in the second half of 2008/09.

- Handset and accessory sales rose by 13% to $505 million (2008/09: $448 million) attributable to higher sales volume and average unit selling price.

Cost of inventories sold and services provided fell by 3% to $1,056 million (2008/09: $1,085 million). Cost of inventories sold rose by 14% to $495 million (2008/09: $435 million) in line with the increase in handset and accessory sales. Cost of services provided fell by $90 million or 14% to $561 million (2008/09: $651 million) mainly due to lower fixed-mobile interconnection charge ("FMIC"). As disclosed in note 15 to this results announcement, FMIC was not provided for since 27 April 2009 upon withdrawal of the regulatory guidance on FMIC by the Office of the Telecommunications Authority of Hong Kong.

Operating expenses, excluding depreciation, amortisation, impairment loss and loss on disposal, fell modestly to $1,719 million (2008/09: $1,727 million). Network operating costs rose by 2% as the Group continued to improve on network quality, capacity, speed and coverage to cater for customer growth. Other operating expenses, including sales and marketing expenses, staff costs, rental and utilities, and other operating expenses, fell by 3% upon the implementation of cost saving measures.

Depreciation, impairment loss and loss on disposal rose by 11% to $503 million (2008/09: $452 million) mainly due to the accelerated depreciation and impairment loss of fixed assets of $51 million (2008/09: nil) arising from the early retirement of 2G mobile network equipment of Macau operations, upon the change of sole network solution provider for the launch of 3G mobile network and replacement of 2G mobile network.

Handset subsidy amortisation rose by 10% to $284 million (2008/09: $259 million) due to the significant increase in handset subsidy capitalised for the acquisition and retention of high-value customers, amid higher adoption of high-end smartphones. Mobile licence fee amortisation rose by 5% to $67 million (2008/09: $64 million) following the grant of additional 1800MHz spectrum in July 2009.

Finance income fell by 5% or $2 million to $34 million (2008/09: $36 million) due to lower accretion income. Finance costs, comprising of accretion expenses or deemed interest on asset retirement obligations and mobile licence fee liabilities, were not attributable to bank or other borrowings. Finance costs rose by $2 million to $86 million (2008/09: $84 million) due to higher mobile licence fee liabilities following the grant of additional 1800MHz spectrum in July 2009.

The Group recognised deferred tax assets of $61 million (2008/09: nil), which resulted in an income tax credit of $20 million (2008/09: income tax expense of $10 million). The deferred tax assets comprised of a net amount of $55 million related to certain previously unrecognised deferred tax assets recognised upon the restructuring of business operations in Hong Kong for ongoing cost savings, and an amount of $6 million related to accelerated depreciation and impairment loss of fixed assets.

The results of Macau operations were adversely affected by the non-recurring accelerated depreciation and impairment loss of fixed assets of $51 million (2008/09: nil). Revenues fell by 9% to $221 million (2008/09: $243 million), amid a reduction in the number of non-resident workers. Cost of inventories sold and services provided fell by 6% whereas operating expenses rose by 3%. Depreciation, amortisation, impairment loss and loss on disposal rose by almost 2 times to $77 million (2008/09: $27 million). As a result, operating profit fell by 93% to $5 million (2008/09: $77 million). Excluding the impact of non-recurring items, operating profit would have fallen by 27% to $56 million (2008/09: $77 million).

Capital structure, liquidity and financial resources

There had been no major changes to the Group's capital structure during the year ended 30 June 2010. The Group was financed by share capital and internally generated funds during the year. The Group's cash resources remained strong with cash and bank balances (including pledged bank deposits) and investments in held-to-maturity debt securities of $1,441 million at 30 June 2010 (30 June 2009: $1,411 million). As at 30 June 2010, the Group had no bank or other borrowings.

During the year ended 30 June 2010, the Group's net cash generated from operating activities and interest received amounted to $1,296 million and $36 million respectively. The Group's major outflows of funds during the year were payments for the purchase of fixed assets, handset subsidies, mobile licence fees, share repurchases and dividends.

During the year ended 30 June 2010, the Company repurchased 12,335,500 shares of the Company at an aggregate price of $79 million on The Stock Exchange of Hong Kong Limited. The highest and lowest prices per share were $8.01 and $5.12 respectively. Of these repurchased shares, 12,065,000 shares were cancelled on or before 30 June 2010 and 270,500 shares were cancelled after 30 June 2010.

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 2011 with internal cash resources and short-term bank borrowings.

Treasury policy

The Group invests its surplus funds in accordance with a treasury policy approved from time to time by the board of directors. Surplus funds are placed in bank deposits or invested in investment grade debt securities. Bank deposits are principally maintained in Hong Kong and United States dollars. Investments in debt securities are denominated in either Hong Kong dollar or United States dollar, and having a maximum maturity of three years. The Group's policy is to hold its investments in debt securities until maturity.

As at 30 June 2010, the Group's revolving credit facilities amounted to $50 million, of which no amount was utilised.

The Group is required to arrange for banks to issue performance bonds and letters of credit on its behalf. In certain circumstances, the Group will partially or fully collateralise such instruments by cash deposits to lower the issuance costs. Pledged bank deposits amounted to $340 million as at 30 June 2010 (30 June 2009: $389 million).

Functional currency and foreign exchange exposure

The functional currency of the Group is the Hong Kong dollar. All material revenues, expenses, assets and liabilities, except the Group's United States dollar bank deposits and debt securities are denominated in Hong Kong dollar. The Group therefore does not have any significant exposure to foreign currency gain or loss other than from its United States dollar denominated bank deposits and debt securities. The Group does not currently undertake any foreign exchange hedging.

Contingent assets and liabilities

Fixed-mobile interconnection charge

As at 30 June 2010, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $153 million (30 June 2009: $24 million) and $105 million (30 June 2009: $16 million) respectively as disclosed in note 15 to this results announcement.

Performance bonds

Certain banks, on the Group's behalf, have issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under licences issued by those authorities. The total amount outstanding at 30 June 2010 under these performance bonds was $558 million (30 June 2009: $505 million).

Lease out, lease back arrangement

A bank, on the Group's behalf, had issued a letter of credit to guarantee the Group's obligations under a lease out, lease back arrangement entered into during the year ended 30 June 1999. This letter of credit is fully cash collateralised using surplus cash deposits. The directors are of the opinion that the risk of the Group being required to make payment under this guarantee is remote.

Employees and share option scheme

The Group had 1,782 full-time employees as at 30 June 2010 (30 June 2009: 1,861), with the majority of them based in Hong Kong. Total staff costs were $450 million for the year ended 30 June 2010 (2008/09: $449 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.

The Group has a share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. During the year ended 30 June 2010, no share options were granted or exercised; and 242,000 share options were cancelled or lapsed. At 30 June 2010, 8,604,500 share options (30 June 2009: 8,846,500) were outstanding.

RESULTS

The Board of Directors of SmarTone Telecommunications Holding Limited (the "Company") are pleased to present the consolidated profit and loss account and consolidated statement of comprehensive income for the year ended 30 June 2010 and the consolidated balance sheet as at 30 June 2010 of the Company and its subsidiaries (the "Group").

Consolidated Profit and Loss Account

For the year ended 30 June 2010

	Note	**2010** **$000**	2009 $000
Service revenue		**3,451,971**	3,255,036
Handset and accessory sales		**505,268**	448,155
Revenues	4	**3,957,239**	3,703,191
Cost of inventories sold and services provided		**(1,056,206)**	(1,085,420)
Other gains	5	**-**	1,033
Network costs		**(743,585)**	(725,884)
Staff costs		**(449,569)**	(449,374)
Sales and marketing expenses		**(241,866)**	(245,013)
Rental and utilities		**(157,559)**	(161,404)
Other operating expenses		**(126,333)**	(145,822)
Depreciation, amortisation, impairment loss and loss on disposal		**(854,536)**	(775,799)
Operating profit		**327,585**	115,508
Finance income	6	**33,804**	35,627
Finance costs	7	**(86,352)**	(84,290)
Share of results of an associate		**-**	4,350
Profit before income tax	8	**275,037**	71,195
Income tax credit/(expense)	9	**20,065**	(9,549)
Profit after income tax		**295,102**	61,646
Attributable to			
Equity holders of the Company		**293,754**	42,456
Non-controlling interests		**1,348**	19,190
		295,102	61,646
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	10		
Basic		**55.3**	7.6
Diluted		**55.3**	7.6
Dividends	11		
Interim dividend paid		**89,386**	-
Final dividend proposed		**183,891**	43,019
		273,277	43,019

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	2010 **$000**	2009 $000
Profit for the year	**295,102**	61,646
Other comprehensive losses		
Fair value loss on financial investments, net of tax	**(6,954)**	(18,119)
Currency translation differences	**391**	(109)
Other comprehensive losses for the year, net of tax	**(6,563)**	(18,228)
Total comprehensive income for the year	**288,539**	43,418
Total comprehensive income attributable to		
Equity holders of the Company	**287,191**	24,228
Non-controlling interests	**1,348**	19,190
	288,539	43,418

Consolidated Balance Sheet

At 30 June 2010

	Note	**2010 $000**	2009 $000
			(Note 16)
Non-current assets			
Leasehold land		**15,893**	16,362
Fixed assets		**1,910,981**	1,844,639
Interest in an associate		**3**	3
Financial investments		**456,860**	390,507
Intangible assets		**892,459**	701,790
Deposits and prepayments		**95,547**	93,682
Deferred income tax assets	12	**3,673**	-
		3,375,416	3,046,983
Current assets			
Inventories		**47,918**	75,182
Financial investments		**313,535**	-
Trade receivables	13	**204,459**	168,759
Deposits and prepayments		**141,035**	130,695
Other receivables		**58,772**	25,798
Pledged bank deposits		**339,830**	388,626
Cash and cash equivalents		**360,182**	668,271
		1,465,731	1,457,331
Current liabilities			
Trade payables	14	**184,895**	148,077
Other payables and accruals		**552,533**	555,127
Current income tax liabilities		**53,235**	48,920
Customer prepayments and deposits		**212,962**	87,730
Deferred income		**102,668**	81,811
Mobile licence fee liabilities		**93,535**	83,290
		1,199,828	1,004,955
Net current assets		**265,903**	452,376
Total assets less current liabilities		**3,641,319**	3,499,359
Non-current liabilities			
Customer prepayments and deposits		**110,204**	11,438
Asset retirement and other obligations		**78,444**	55,353
Mobile licence fee liabilities		**660,660**	652,260
Deferred income tax liabilities	12	**30,154**	97,650
Net assets		**2,761,857**	2,682,658
Capital and reserves			
Share capital		**52,567**	53,774
Reserves		**2,674,432**	2,595,374
Total equity attributable to equity holders of the Company		**2,726,999**	2,649,148
Non-controlling interests		**34,858**	33,510
Total equity		**2,761,857**	2,682,658

Notes to the Consolidated 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.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 7 September 2010.

2 Summary of significant accounting policies

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

3 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The adoption of new or revised HKFRS

For the year ended 30 June 2010, the Group adopted the new standards, amendments to published standards and interpretations of HKFRS below.

HKFRS (Amendments)	Improvements to HKFRSs [2]
HKFRS (Amendments)	Improvements to HKFRSs 2009 [3]
HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [2]
HKAS 39 (Amendment)	Eligible Hedge Items [3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [2]
HKFRS 1 (Revised)	First Time Adoption of HKFRS [3]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 7 (Amendment)	Financial Instruments – Fair Value Measurements and Liquidity Risk of Financial Instruments [2]
HKFRS 8	Operating Segments [2]
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estate [2]
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation [1]
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners [3]
HK (IFRIC) – INT 18	Transfer of Assets from Customers [3]

[1] Effective for annual periods beginning on or after 1 October 2008.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.

The adoption of HKAS 1 (Revised), HKAS 27 (Revised), HKFRS 7 (Amendment) and HKFRS 8 did not have a material impact on the Group's financial statements other than on increase in disclosure. In summary:

- HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of balance sheet as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

  Comparative information has been re-presented so that it is also in conformity with this revised standard. Since the change in accounting policy only results in additional disclosures, there is no impact on the Group's or Company's results and financial position.

- HKAS 27 (Revised) requires non-controlling interests (i.e. minority interests) to be presented in the consolidated balance sheet within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

- HKFRS 7 (Amendment) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the Group's or Company's results and financial position.

- HKFRS 8 replaces HKAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The adoption of other new/revised HKFRS has no significant impact on the consolidated financial statements.

The following new standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's accounting policies beginning on or after 1 July 2010 or later periods but which the Group has not early adopted.

HKFRS (Amendments)	Improvements to HKFRSs 2009 [1]
HKFRS (Amendments)	Improvements to HKFRSs 2010 [4]
HKAS 24 (Revised)	Related Party Disclosure [5]
HKAS 32 (Amendment)	Classification of Rights Issues [2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction [1]
HKFRS 9	Financial Instruments [6]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [5]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [3]

1 Effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
5 Effective for annual periods beginning on or after 1 January 2011.
6 Effective for annual periods beginning on or after 1 January 2013.

The Group has not early adopted the above revised standards, interpretations and amendments to the existing standards in the current year. Except for the following new standard, these new standards, amendments and interpretations are not relevant to the Group. The Group has commenced an assessment of the impact of adoption of standards, amendments and interpretations listed above but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and financial position:

HKFRS 9, "Financial Instruments"

HKFRS 9 requires financial assets that are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

4 Segment reporting

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

The CODM considers the business from a geographic perspective. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortisation, impairment loss and loss on disposal ("EBITDA") and operating profit.

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

(a) Segment results

	For the year ended 30 June 2010			
	Hong Kong	**Macau**	**Elimination**	**Consolidated**
	$000	**$000**	**$000**	**$000**
Revenues	**3,761,144**	**220,892**	**(24,797)**	**3,957,239**
EBITDA	**1,100,047**	**82,074**	**-**	**1,182,121**
Depreciation, amortisation, impairment loss and loss on disposal (note)	**(774,992)**	**(77,044)**	**(2,500)**	**(854,536)**
Operating profit/(loss)	**325,055**	**5,030**	**(2,500)**	**327,585**
Other information				
Additions to fixed assets	**477,953**	**91,256**	**-**	**569,209**
Additions to intangible assets	**540,268**	**1,483**	**-**	**541,751**
Depreciation	**413,765**	**66,999**	**-**	**480,764**
Amortisation of leasehold land	**635**	**-**	**-**	**635**
Amortisation of intangible assets	**349,793**	**1,289**	**-**	**351,082**
Impairment loss of fixed assets	**-**	**10,700**	**-**	**10,700**
Loss/(gain) on disposal of fixed assets	**10,799**	**(1,944)**	**2,500**	**11,355**
Impairment loss of trade receivables	**10,321**	**494**	**-**	**10,815**
Reversal of impairment loss of inventories	**(252)**	**(130)**	**-**	**(382)**

Note: Included accelerated depreciation of $40,472,000 and impairment loss of fixed assets of $10,700,000 for Macau operations recognised as a result of the early retirement of certain 2G mobile network equipment, following the change of sole network solution provider for the launch of 3G mobile network and replacement of 2G mobile network.

	For the year ended 30 June 2009			
	Hong Kong	Macau	Elimination	Consolidated
	$000	$000	$000	$000
Revenues	3,485,805	243,027	(25,641)	3,703,191
EBITDA	786,851	104,456	-	891,307
Depreciation, amortisation and loss on disposal	(748,568)	(27,231)	-	(775,799)
Operating profit	38,283	77,225	-	115,508
Other information				
Additions to leasehold land	16,670	-	-	16,670
Additions to fixed assets	413,204	37,116	-	450,320
Additions to intangible assets	243,102	1,601	-	244,703
Depreciation	423,447	25,357	-	448,804
Amortisation of leasehold land	317	-	-	317
Amortisation of intangible assets	321,711	1,711	-	323,422
Loss on disposal of fixed assets	3,093	163	-	3,256
Impairment loss of trade receivables	11,739	608	-	12,347
(Reversal of impairment loss)/impairment loss of inventories	(7,359)	77	-	(7,282)

(b) Segment assets/(liabilities)

	Hong Kong	Macau	Unallocated	Consolidated
	At 30 June 2010			
	$000	**$000**	**$000**	**$000**
Segment assets	**3,840,656**	**226,420**	**774,071**	**4,841,147**
Segment liabilities	**(1,889,051)**	**(106,850)**	**(83,389)**	**(2,079,290)**

	Hong Kong	Macau	Unallocated	Consolidated
	At 30 June 2009			
	$000	$000	$000	$000
Segment assets	3,957,625	156,179	390,510	4,504,314
Segment liabilities	(1,648,509)	(26,577)	(146,570)	(1,821,656)

Unallocated assets consist of interest in an associate, financial investments and deferred tax assets.

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

5 Other gains

	2010	2009
	$000	$000
Write back of provision for amount due from and interest in an associate	**-**	1,033

For the year ended 30 June 2009, the Group recognised other gains amounting to $1,033,000 in respect of write back of provision for amount due from an associate and provision against interest in an associate which were provided for in prior years.

6 Finance income

	2010 $000	2009 $000
Interest income from listed debt securities	**28,506**	16,683
Interest income from unlisted debt securities	**3,655**	-
Interest income from bank deposits	**1,501**	17,064
Accretion income	**142**	1,880
	33,804	35,627

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

7 Finance costs

	2010 $000	2009 $000
Accretion expenses		
Mobile licence fee liabilities	**83,710**	81,331
Asset retirement obligations	**2,642**	2,959
	86,352	84,290

Finance costs, comprising of accretion expenses or deemed interest on mobile licence fee liabilities and asset retirement obligations, were not attributable to bank or other borrowings.

Accretion expenses represent changes in the mobile licence fee 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.

8 Profit before income tax

Profit before income tax is stated after crediting and charging the following:

	2010 **$000**	2009 $000
Cost of inventories sold	**495,333**	434,716
Operating lease rentals for land and buildings, transmission sites and leased lines	**675,591**	666,317
Amortisation		
Handset subsidies	**283,791**	259,039
Mobile licence fees	**67,291**	64,383
Leasehold land	**635**	317
Depreciation		
Owned fixed assets	**434,351**	371,083
Leased fixed assets	**46,413**	77,721
Impairment loss of fixed assets	**10,700**	-
Loss on disposal of fixed assets	**11,355**	3,256
Auditors' remuneration	**1,555**	1,578
Net exchange (gain)/loss	**(5,595)**	4,978
Contributions to defined contribution plans included in staff costs*	**26,018**	25,148

* *Net of forfeited contributions of $835,000 (2009: $1,449,000).*

9 Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the tax rates prevailing in the countries in which the Group operates.

(a) The amount of income tax (credit)/expense charged to the consolidated profit and loss account represents:

	2010 **$000**	2009 $000
Current income tax		
Hong Kong profits tax	**46,062**	8,088
Overseas tax	**4,416**	9,294
Under/(over) provision in prior year tax charge		
Hong Kong profits tax	**626**	(1,523)
Deferred income tax assets (note 12 (a))	**(3,673)**	-
Deferred income tax liabilities (note 12 (b))	**(67,496)**	(6,310)
	(20,065)	9,549

(b) Reconciliation between income tax (credit)/expense and accounting profit at Hong Kong tax rate:

	2010 **$000**	2009 $000
Profit before income tax	**275,037**	71,195
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2009: 16.5%)	**45,381**	11,747
Effect of different tax rates in other countries	**(1,578)**	(3,391)
Expenses not deductible for tax purposes	**84**	798
Income not subject to tax	**(6,839)**	(6,910)
Tax losses for which no deferred income tax asset was recognised	**4,097**	3,726
Utilisation of previously unrecognised tax losses	**(5,004)**	(6,170)
Under/(over) provision in prior year	**626**	(1,523)
Recognition of previously unrecognised temporary difference	**(55,315)**	-
Temporary differences not recognised	**(1,517)**	11,272
Income tax (credit)/expense	**(20,065)**	9,549

10 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of $293,754,000 (2009: $42,456,000).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 531,448,375 (2009: 557,247,118). The diluted earnings per share is based on 531,448,375 (2009: 557,247,118) shares which is the weighted average number of shares in issue during the year plus the weighted average number of nil (2009: nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

11 Dividends

	2010 $000	2009 $000
Interim dividend, paid, of 17 cents (2009: nil) per share	**89,386**	-
Final dividend, proposed, of 35 cents (2009: 8 cents) per share	**183,891**	43,019
	273,277	43,019

At a meeting held on 7 September 2010, the directors proposed a final dividend of 35 cents per 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 2011.

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

12 Deferred income tax

Deferred income tax for the Group's temporary differences arising from operations in Hong Kong and overseas is calculated at 16.5% (2009: 16.5%) and the appropriate current tax rates ruling in the relevant countries respectively.

(a) Deferred income tax assets

	Tax losses $000
At 1 July 2008, 30 June 2009 and 1 July 2009	**-**
Recognition of deferred tax assets in respect of fixed assets early retired (i)	**(6,141)**
Utilisation	**2,468**
Recognised in the consolidated profit and loss account (note 9 (a))	**(3,673)**
At 30 June 2010	**(3,673)**

(i) The amount of $6,141,000 of deferred tax assets related to tax losses arising from fixed assets as a result of disposal of certain early retired 2G mobile network equipment for Macau operations.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

(b) Deferred income tax liabilities

	Mobile licence fee net liabilities $000	Accelerated depreciation allowance $000	Total $000
At 1 July 2008	(6,051)	110,011	103,960
Recognised in the consolidated profit and loss account (note 9 (a))	(2,882)	(3,428)	(6,310)
At 30 June 2009	(8,933)	106,583	97,650
At 1 July 2009	**(8,933)**	**106,583**	**97,650**
Recognition of previously unrecognised deferred tax assets (i)	**(29,025)**	**(26,290)**	**(55,315)**
Others	**(8,303)**	**(3,878)**	**(12,181)**
Recognised in the consolidated profit and loss account (note 9 (a))	**(37,328)**	**(30,168)**	**(67,496)**
At 30 June 2010	**(46,261)**	**76,415**	**30,154**

(i) The net amount of $55,315,000 related to certain previously unrecognised deferred tax assets in respect of temporary differences arising from intangible assets, fixed assets and mobile licence fee liabilities, which were recognised upon the restructuring of business operations in Hong Kong when such deferred tax assets became recognisable.

The Group has not recognised deferred income tax assets of $10,908,000 (2009: $9,437,000) in respect of tax losses of $66,110,000 (2009: $57,192,000). The tax losses do not expire under current tax legislation.

13 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 provisions, is as follows:

	2010 **$000**	2009 $000
Current to 30 days	**180,478**	146,988
31 - 60 days	**16,174**	14,075
61 - 90 days	**3,997**	4,312
Over 90 days	**3,810**	3,384
	204,459	168,759

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

The Group has recognised a loss of $10,815,000 (2009: $12,347,000) for the impairment of its trade receivables during the year ended 30 June 2010. The loss has been included in other operating expenses in the consolidated profit and loss account.

14 Trade payables

An ageing analysis of trade payables is as follows:

	2010 **$000**	2009 $000
Current to 30 days	**161,374**	101,227
31 - 60 days	**11,038**	30,081
61 - 90 days	**5,592**	3,103
Over 90 days	**6,891**	13,666
	184,895	148,077

15 Other contingent assets and liabilities

The Office of the Telecommunications Authority ("OFTA") of Hong Kong withdrew the regulatory guidance on fixed-mobile interconnection charge ("FMIC") on 27 April 2009. Prior to 27 April 2009, FMIC was subject to a regulatory guidance in favour of the Mobile Party's Network Pay ("MPNP") model. Under MPNP, interconnection charge is payable by a mobile network operator ("MNO") to the interconnecting fixed network operator ("FNO") for telephony traffic irrespective of whether the call is from a fixed line to a mobile phone, or from a mobile phone to a fixed line. The de-regulation on 27 April 2009 removed the asymmetry which was contrary to fair competition as MNOs were effectively subsidising FNOs. From 27 April 2009, interconnection charge for fixed-mobile interconnection was to be settled by commercial agreements between fixed and mobile operators without any ex ante regulatory intervention.

Upon the withdrawal of MPNP and termination of the MPNP-based interconnection agreement with all FNOs in Hong Kong on 27 April 2009, the Group adopts the Calling Party's Network Pay ("CPNP") principle which is a fair and reasonable FMIC regime, as interconnection charge is payable by the call originating network. CPNP is the commonly accepted international practice in most advanced economies with open and competitive markets. With any-to-any connectivity in place ensuring no disruption to interconnection, the Group is in the process of finalising commercial terms for interconnection with all FNOs in Hong Kong. If the Group fails to agree with any FNO on the commercial terms after a prolonged period of time, either the Group or the FNO may request the Telecommunications Authority to determine the level of FMIC under Section 36A of the Telecommunications Ordinance (Cap 106).

The traffic between the Group's mobile network and other fixed networks is slightly imbalanced, with higher volume of fixed-to-mobile calls than mobile-to-fixed calls. Moreover, mobile termination rate is either higher than or equal to fixed termination rate in most countries adopting CPNP. In Hong Kong, Long Run Average Incremental Cost ("LRAIC") is the adopted cost model for the calculation of FMIC. It is therefore likely that, under the CPNP and LRAIC principle, interconnection income from FNOs will exceed interconnection charge payable to FNOs.

For the year ended 30 June 2010, the Group issued invoices with a total amount of $129,089,000 (period from 27 April 2009 to 30 June 2009: $24,151,000) to the interconnecting FNOs for telephony traffic originated from their fixed networks to the Group's mobile network. The FNOs rejected these invoices in writing on the ground that the commercial terms for interconnection had not been agreed upon.

For the year ended 30 June 2010, the Group received invoices with a total amount of $89,445,000 (period from 27 April 2009 to 30 June 2009: $15,916,000) from some interconnecting FNOs for telephony traffic delivered. The Group rejected these invoices in writing on the ground that the commercial terms for interconnection had not been agreed upon.

No income or charge in respect of fixed-mobile interconnection has been recognised for the period from 27 April 2009 to 30 June 2010 since it is impracticable to estimate the amount or timing of such income and charge. As at 30 June 2010, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $153,240,000 (2009: $24,151,000) and $105,361,000 (2009: $15,916,000) respectively.

16 Comparative figures

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

DIVIDENDS

The directors recommended the payment of a final dividend for the year ended 30 June 2010 of 35 cents per share (2008/09: 8 cents per share). The proposed final dividend, together with the interim dividend of 17 cents per share paid by the Company during the year (2008/09: nil), makes a total dividend for the year of 52 cents per share (2008/09: 8 cents per share).

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be paid on or about 12 November 2010 to shareholders registered in the Company's Register of Members as at the close of business on 4 November 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 2 November 2010 to Thursday, 4 November 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming Annual General Meeting and establish entitlements to the aforesaid final dividend (which is subject to approval at the forthcoming Annual General Meeting), 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 1 November 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2010, the Company repurchased 12,335,500 shares of the Company on The Stock Exchange of Hong Kong Limited. Of these repurchased shares, 12,065,000 shares were cancelled prior to 30 June 2010 and the balance of 270,500 shares were cancelled subsequently after 30 June 2010. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
		$	$	$
December 2009	6,651,500	6.55	5.12	37,898,000
January 2010	1,473,000	7.20	6.47	10,209,000
February 2010	688,000	7.21	6.67	4,898,000
March 2010	3,246,000	8.01	6.69	23,878,000
April 2010	6,500	8.00	7.93	52,000
June 2010	270,500	8.00	7.96	2,163,000
	12,335,500			79,098,000

Save as disclosed above, at no time during the year ended 30 June 2010 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the full year financial statements and reports of the Group for the year ended 30 June 2010. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices 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 internal control measures adopted by the Group.

The financial information disclosed above complies with the disclosure requirements of Appendix 16 of 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 year ended 30 June 2010, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term. Non-executive directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's bye-laws. As such, no director has a term of appointment longer than three years.

Code Provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Raymond Ping-luen Kwok, was unable to attend the annual general meeting of the Company held on 6 November 2009 due to his other business engagement. Dr. Eric Ka-Cheung Li, an independent non-executive director of the Company, took the chair 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.

Full details of the report on corporate governance will be set out in the Company's 2009/10 Annual Report.

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

Hong Kong, 7 September 2010

As at the date of this announcement, the Executive Directors of the Company are Mr. Douglas Li and Mr. Patrick Kai-lung Chan; Non-Executive Directors are Mr. Raymond Ping-luen Kwok, Mr. Wing-yui Cheung, Mr. David Norman Prince, Mr. Wing-chung Yung, Mr. Thomas Hon-wah Siu and Mr. Alfred Wing-kit Tsim; Independent Non-Executive Directors are Dr. Eric Ka-cheung Li, JP, Mr. Leung-sing Ng, JP, Mr. Xiang-dong Yang, Mr. Eric Fock-kin Gan and Mr. Peter David Sullivan.