

TARGET

Intelligence Report

VOLUME XXV No. 175

T U E S D A Y

August 15, 2023

SMARTONE TELECOMMUNICATIONS HOLDINGS LTD: SOMEBODY UP ‘THERE’ MUST LOVE YOU !

As at June 30, 2022, Sun Hung Kai Properties Ltd (新鴻基地產發展有限公司) (Code: 16, Main Board, The Stock Exchange of Hongkong Ltd) was the legal and beneficial owner of 72.92 percent of the entire Issued and Fully Paid-Up Share Capital of SmarTone Telecommunications Holdings Ltd (數碼通電訊集團有限公司) (Code: 315, Main Board, The Stock Exchange of Hongkong Ltd).

As such, Sun Hung Kai Properties Ltd is deemed the Ultimate Holding Company of SmarTone Telecommunications Holdings Ltd, a company that was listed on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People’s Republic of China (PRC)** in 1996.

Mr Raymond Kwok Ping Luen (郭炳聯), the Chairman and Managing Director of Sun Hung Kai Properties Ltd, as well as being the Chairman and Non-Executive Director of SmarTone Telecommunications Holdings Ltd, went on record, penning 15 paragraphs at Pages Eight and Nine of the 2021-2022 Annual Report of SmarTone Telecommunications Holdings Ltd.

Under the heading, ‘**Business review**’, Mr Raymond Kwok Ping Luen, inter alia, had this to impart to shareholders:

‘During the year under review, the Company reported a profit attributable to equity holders of \$423M, down by 5% as compared to \$445M last year. Nevertheless, discounting the impact of government subsidies, profit for this year increased by 16% on a year-on-year basis.

‘Although the mobile market remained very competitive with heavy pressure on pricing, SmarTone’s service revenue grew by 3% while mobile postpaid exit ARPU (Average Revenue Per User) rose by 5%. This shows the Company is firmly back on the track of growth. As of 30 June 2022, the 5G subscription penetration in our postpaid MNO (Mobile Network Operator) subscriber base increased to approximately 28%, contributing to the continuous ARPU growth momentum. There are also some early signs of recovery in our roaming revenues during the last quarter, although the size of the recovery is still small.

*‘The cost-optimization program launched by the Company in recent years has delivered sustainable savings and enhanced operational efficiency, without sacrificing any service quality. SmarTone will maintain focus on its cost discipline and re-investing the savings into improving quality and capturing growth opportunities. Our top priority is to deliver the best network in Hong Kong. Over the last year, there were 14 influential media that ranked SmarTone’s network as “**the best**” in Hong Kong. In particular, according to a recent report published by OpenSignal, SmarTone delivered the best overall user experience out of all Hong Kong operators.*

‘SmarTone’s 5G network provides territory-wide coverage, which extends over major roads, highways and tunnels, and all MTR (Mass Transit Railway) lines, including the East Rail Line cross-harbour extension. Apart from major shopping malls, prime office buildings and premium hotels, coverage has also been extended to major hiking trails and country parks in response to customer needs. With already over 99% population coverage, SmarTone will enhance its outstanding network performance via the deployment of 3.5GHz/4.9GHz bands to provide even greater capacity and the 700MHz and 850MHz bands to further improve indoor coverage...

‘Outlook

‘The mobile market continues to be very competitive as players cut prices to maintain market share. Economic conditions are expected to remain challenging with a distinct possibility of recession. International travel (and hence roaming) has started to ramp up but remains at a small fraction of pre-pandemic levels. The headwinds are strong.

‘Above all, spectrum costs remain a major cost for mobile operators. For example, the total amount of spectrum cost and tax for this financial year is even greater than the Company’s net profit of \$423M. In contrast to China where no spectrum fees are charged, operators in Hong Kong are required to pay spectrum fees. Since 2011, SmarTone has paid or committed to a total of \$7 billion on spectrum fees. The amortization charge for mobile spectrum is still growing, and we expect the next financial year to be the peak full year impact of amortization for the spectrum bands acquired and renewed in recent years. Furthermore, in the past such spectrum costs were tax deductible, but the IRD (Inland Revenue Department of the HKSAR Government) now regards spectrum costs as capital in nature and not tax deductible. We strongly disagree with this assessment, as our usage of specific spectrum was finite (usually 15 years), and such spectrum is not transferrable. We believe this change is an unintended consequence of an administrative action by the Hong Kong Government and should be reviewed and reversed. Viewed from a macro perspective, excessive taxes and fees will only deter operators from building the best networks, which are critical to Hong Kong becoming a technology hub ...’.

The business of SmarTone Telecommunications Holdings Ltd is as follows:

1. The Company is engaged in telecommunications services.
2. The HKSAR and the **Macau Special Administrative Region (MSAR)** of the PRC Segments provide voice, multimedia and mobile broadband services.
3. Also, the Company provides fixed fibre broadband services to consumers and corporate markets.

THE FINANCIALS OF
SMARTONE TELECOMMUNICATIONS HOLDINGS LTD

At ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*