(Financial figures are expressed in Hong Kong dollars)

SmarTone's strong operational performance continued during the period with rising services revenue and ARPU amidst a highly competitive market. While the 3G costs have started to impact on financial results, your company is focused on leveraging its leading position in multimedia services to create longer term value using 3G.

Financial Highlights

Turnover increased to $1,831 million, representing a growth of 18% and 1% on the same period last year and the previous six months respectively. Earnings before interest, tax, depreciation and amortisation ("EBITDA") of $455 million increased by 2% on the corresponding period last year but decreased by 3% on the previous six months. Profit attributable to shareholders was $226 million, a decline of 4% and 2% compared with $235 million for the same period last year and $231 million for the preceding six months respectively. Earnings per share for the period amounted to $0.39.

Dividend

Your Board declares an interim dividend of $0.19 per share, a decrease of 5% on $0.20 for the previous year, in line with the decline in interim profit.

Business Review

Hong Kong Mobile Business

SmarTone maintains a strong operational performance in a market beset with continuing price erosion and constant promotions. Blended ARPU for the period of $196 increased by 4% on the first half of last year and the previous six months. Postpaid ARPU rose to $228, an increase of 10% and 6% on the same period last year and the preceding six months respectively. This reflects an improving customer profile and customers' increasing usage of data and roaming services. Services revenue increased on the back of higher ARPU, outweighing the impact of a small reduction in the number of customers to 1,033,000 at the end of December 2004. Churn rate improved from 2.6% in June 2004 to 2.4% in December 2004, and remained below the industry average. With the rapid rollout of the 3G radio network and the commercial launch of 3G-enabled services in December 2004, 3G costs have begun to impact on financial results.

The commercial launch of 3G-enabled services is a key milestone in SmarTone's quest for long-term revenue and profit growth through multimedia services. Offering faster speed, increased bandwidth and capacity as well as greater cost-efficiency, 3G allows much greater flexibility in delivering an enhanced customer experience and differentiation. SmarTone is well poised to extend its leadership in the continuing evolution of multimedia services with its strong customer propositions:

- *Differentiated content and services* — For consumers, SmarTone iN on 3G offers the greatest breadth and depth of relevant content and services. With richer propositions, it provides customers a more compelling experience in key areas such as sports, news, music and games. In addition, the SmarTone iN on 3G portal offers a richer browsing experience and more sophisticated navigation system for easier access to favourite content and services.

(Financial figures are expressed in Hong Kong dollars)

SmarTone PC Connect, your company's first 3G-enabled service for business users, is the best mobile working solution in the market. More than just a 3G / GPRS datacard, it comes with an on-screen console offering an intuitive interface to a range of services. Customers can enjoy high-speed and reliable access to the Internet, emails, company intranet applications, as well as news and travellers' information, without the need for a fixed line. Business travellers are now able to enhance their productivity while enjoying greater convenience when roaming abroad.

- *Best-in-class handsets* — SmarTone offers the widest choice of handsets from the popular brands, as well as exclusive customised models from leading edge manufacturers. Leveraging its successful experience in co-developing and marketing well-designed handsets that are easy to use and which provide the highest quality customer experience in rich multimedia services, your company is extending its co-development partnership to a number of handset manufacturers for 3G. This strategy enables your company to offer best-in-class handsets for targeted customer segments with relevant propositions and at different price points. The first SmarTone iN 3G handset, the Sanyo S103, has just been launched and will be followed shortly by the Sharp SX813, as well as other models from different brands.

- *Better value and transparent pricing* — To encourage customer adoption and to strengthen its differentiated proposition, your company has introduced a new pricing model for multimedia services. All SmarTone iN on 3G price plans are bundled with free access to a range of video and basic content, as well as free browsing within the SmarTone iN on 3G portal. Premium content charges are either event-based or time-based, without any additional per KB or per packet fee. These new price plans provide customers greater simplicity, transparency and predictability, and also offer better value.

- *Most reliable 3G network* — With its expertise in network planning and optimisation, SmarTone has extended its leadership in 2G network quality to 3G. The network has provided territory-wide coverage since commercial launch in December 2004, and will offer 2G-equivalent coverage and quality by March 2005. Reliability and stability for voice and data services delivered by the network is unmatched in the market.

To ensure a step up in total customer experience for all SmarTone's customers, as well as to better market 3G-enabled services, your company has upgraded all its customer touch-points through an extensive improvement programme for its front-of-house and back-of-house operations. An important element of this initiative is the introduction of a new shop design and service upgrade at all retail outlets, to provide a better shopping experience and create a better showcase for SmarTone's products and services. A new billing system has been installed to enable greater flexibility and improved efficiency in the launch of new services. The CRM system is being upgraded to provide more personalised customer service and to improve your company's effectiveness in planning and implementing marketing programmes.

SmarTone has signed an exclusive partner network agreement with Vodafone, the world's leading mobile operator. Your company will re-brand its business in Hong Kong to SmarTone-Vodafone, further enhancing its strong local brand with Vodafone's global strengths and propositions. Leveraging Vodafone's global footprint and leadership in mobile communications, SmarTone will enhance its customer propositions to all targeted customer segments, and deliver a wider range of products and services at shorter time-to-market and lower costs. The partnership will sharpen your company's edge and will be instrumental in increasing revenue market share.

Macau Mobile Business

The business continued to increase its revenue and deliver a higher profit contribution to the Group.

Prospects

Pressure on margins is expected to remain in the short term as revenue growth would be offset by higher handset subsidies and increase in costs due to 3G. The switch to 3G is set to accelerate in 2005, with the increasing availability of handsets and new services. SmarTone will continue to lead the development of rich multimedia services in exploiting the growing advantages of 3G over 2.5G / EDGE to increase revenue market share.

Our focus on delivering the best customer experience with 3G, powered by differentiated, compelling services and content as well as best-in-class handsets, will accelerate the adoption of multimedia and other non-voice services, and the growth in revenue market share. I am pleased with the strong position that your company has established and I am optimistic of its potential in capturing new opportunities in the future.

Appreciation

I would like to express my appreciation of the invaluable support from our customers, shareholders and fellow directors, as well as the hard work and commitment of our staff.

Raymond Kwok Ping-luen
Chairman

Hong Kong, 28 February 2005

(Financial figures are expressed in Hong Kong dollars)

Overview

During the six months ended 31 December 2004, the Group achieved a profit attributable to shareholders of $226 million compared to $235 million for the same period last year. Operating revenue rose significantly by $282 million to $1,831 million (first half of 2003/04: $1,549 million) with growth in both mobile services revenue and handset sales. This was a result of the Group's success in improving its customer profile with increasing data and roaming usage, and expansion in the handset business. During the six months ended 31 December 2004, the Group incurred additional costs in relation to 3G as well as sales and marketing costs for various marketing campaigns. Upon the commercial launch of the Group's 3G-enabled services in December 2004, the 3G spectrum utilisation fee started to be expensed as incurred and depreciation of 3G network had commenced.

Financial performance

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") for the six months ended 31 December 2004 increased slightly to $455 million (first half of 2003/04: $448 million).

Turnover for the period under review increased by $282 million to $1,831 million (first half of 2003/04: $1,549 million) due to both higher mobile services revenue and handsets sales:

- Mobile services revenue in the period increased by $93 million to $1,310 million (first half of 2003/04: $1,217 million). Higher revenues from IDD, roaming, multimedia services and Macau operations all contributed to the increase.

  Hong Kong blended ARPU for the six months ended 31 December 2004 was $196 (first half of 2003/04: $188). The increase reflected the continuing improvement in the quality of customers in both business and consumer markets with data and roaming revenue showing healthy increases.

  Despite the continuing downward pressure on local voice tariffs, postpaid ARPU rose by $21 to $228 (first half of 2003/04: $207). Revenues from all services other than local voice service were higher.

  SmarTone achieved a strong growth in multimedia services during the period. Multimedia services revenue registered a strong year-on-year increase of approximately 90% in December 2004 and has been the key driver for the growth in data revenue, which accounted for 7.5% of services revenue. Total number of active SmarTone iN customers continued to rise and represented 19% of postpaid customer base in December 2004.

- Handsets and accessories sales for the period under review rose by 57% to $521 million (first half of 2003/04: $332 million). Handset business continued to be an integral part of the Group's operation in providing the widest choice of handsets to customers. The Group has successfully expanded its presence in the high-end segment of the handset market through its customised best-in-class handsets.

Cost of goods sold and services provided increased to $738 million (first half of 2003/04: $523 million) mainly due to higher costs of handsets sold and increased interconnection and roaming costs. Such higher costs reflected the corresponding increases in handset sales and mobile services usage.

Other operating expenses (excluding depreciation and loss on disposal of fixed assets) increased to $637 million (first half of 2003/04: $578 million). This was due to an increase in network costs arising from the 3G network rollout and higher sales and marketing expenses incurred for the promotion of multimedia services, new handsets and the launch of 3G-enabled services.

The financial performance of the Group's mobile business in Macau has been satisfactory and its contribution to the Group's profit increased in the six months ended 31 December 2004.

Subsidiaries, associates and other investments

There have been no significant acquisition or disposal of subsidiaries, associates or other investments during the period.

Capital structure, liquidity and financial resources

The Group's capital structure has no significant changes since 30 June 2004. The cash resources of the Group remain strong with cash and bank balances and investments in held-to-maturity debt securities, net of external borrowings, at 31 December 2004 of $1,817 million.

The Group had a net cash inflow from operating activities during the period of $431 million. Net interest received during the period was $32 million as compared to $34 million in the same period last year. The Group's major outflows of funds in the period were payment of final dividends for the financial year 2003/04 and purchases of fixed assets. The Group also had an inflow of $156 million being the proceeds from redemptions of held-to-maturity debt securities and bank borrowing, net of repayment.

The directors of the Group are of the opinion that the Group can fund its capital expenditure for the current financial year ending 30 June 2005 from existing cash resources and its committed borrowing facilities.

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 on deposit with banks in Hong Kong or invested in investment grade debt securities. Bank deposits in Hong Kong are maintained in Hong Kong or United States dollars.

The Group's investments in debt securities are denominated in either Hong Kong or United States dollars with a maximum maturity of 3 years. The Group's policy is to hold its investments in debt securities until maturity.

The Group arranged a 1-year committed interchangeable revolving loan and trade finance facility of $200 million and an uncommitted multi-currency documentary letter of credit facility of $100 million from certain banks during the period. Of these facilities, $222 million was utilised of which $170 million was drawn from the revolving loan and $52 million from the letter of credit facility for general working capital at 31 December 2004.

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 cost. Total amount of pledged deposits at 31 December 2004 was $337 million (30 June 2004: $326 million).

(Financial figures are expressed in Hong Kong dollars)

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 its United States dollar fixed income investments and bank deposits, are denominated in Hong Kong dollars. The Group therefore does not have any significant exposure to foreign currency gains and losses other than those arising due to its United States dollar denominated bank deposits and fixed income investments. The Group does not currently undertake any foreign exchange hedging.

Contingent liabilities

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 31 December 2004 under these performance bonds was $313 million (30 June 2004: $152 million). The performance bonds were partially collateralised by cash deposits to lower the issuance cost.

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 collateralised by cash deposits to lower the issuance costs. The directors are of the opinion that the risk of the Group being required to make payment under this guarantee is remote.

Bank facilities guarantees

At 31 December 2004, there were contingent liabilities in respect of guarantees given by the Company on behalf of a wholly owned subsidiary relating to short term revolving credit facilities and uncommitted trade finance facility granted by certain banks of up to $300 million (30 June 2004: $600 million).

Employees and share option scheme

The Group had 1,444 full-time employees at 31 December 2004, with the majority in Hong Kong. Staff receives 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 performance of the individual employee. Benefits include a mandatory provident fund scheme and medical and dental care insurance. Staff members 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 the participants, including directors and employees, to subscribe for shares of the Company. During the period, the Company issued 193,000 share options which are exercisable at an exercise price of $8.01 per share from 6 December 2005 to 5 December 2014. No share options were exercised and 77,000 share options were cancelled during the period. At 31 December 2004, 12,706,500 share options were outstanding.

(Expressed in Hong Kong dollars)

The directors are pleased to present the Group's interim report and condensed consolidated interim financial statements for the six months ended 31 December 2004. The consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the six months ended 31 December 2004, and the consolidated balance sheet at 31 December 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 7 to 20 of this report.

Consolidated profit and loss account

For the six months ended 31 December 2004

		Unaudited six months ended 31 December	
		2004	2003
	Note	$000	$000
Turnover	2	**1,830,578**	1,548,800
Cost of goods sold and services provided		**(738,180)**	(522,538)
Gross profit		**1,092,398**	1,026,262
Other operating expenses		**(850,028)**	(782,990)
Operating profit	4	**242,370**	243,272
Finance income	5	**26,333**	33,421
Finance costs	5	**(372)**	(340)
Profit before taxation		**268,331**	276,353
Taxation	6	**(37,566)**	(38,966)
Profit after taxation		**230,765**	237,387
Minority interest		**(5,135)**	(2,241)
Profit attributable to shareholders		**225,630**	235,146
Dividends			
In respect of the period	7	**110,730**	116,953
Attributable to prior years paid in the period	7	**192,321**	2,205,757
Earnings per share			
Basic	8	**$0.39**	$0.40
Diluted	8	**$0.39**	$0.40
EBITDA	9	**455,323**	448,327

(Expressed in Hong Kong dollars)

CONSOLIDATED BALANCE SHEET

At 31 December 2004 and 30 June 2004

	Note	Unaudited 31 December 2004 $000	Audited 30 June 2004 $000
Non-current assets			
Fixed assets	10	2,043,347	1,953,794
Interest in an associate		3,050	3,050
Investments	11	1,145,765	1,146,297
Deferred expenditure		11,802	12,991
Deferred tax assets		1,038	2,857
		3,205,002	3,118,989
Current assets			
Inventories		138,507	124,230
Investments	11	332,685	471,081
Trade receivables	12	192,479	167,279
Deposits and prepayments		136,623	125,370
Other receivables		37,922	41,490
Cash and bank balances	13	561,908	653,808
		1,400,124	1,583,258
Current liabilities			
Trade payables	14	185,611	154,853
Other payables and accruals		455,320	681,817
Customers' deposits		26,022	24,744
Deferred income		75,580	72,408
Taxation payable		17,045	—
Unsecured bank loans		170,000	150,000
		929,578	1,083,822
Net current assets		470,546	499,436
Total assets less current liabilities		3,675,548	3,618,425
Non-current liabilities			
Deferred tax liabilities		149,769	131,068
Minority interest		26,542	21,407
Net assets		3,499,237	3,465,950
Capital and reserves			
Share capital	15	58,279	58,331
Reserves		3,440,958	3,407,619
		3,499,237	3,465,950

Consolidated cash flow statement

For the six months ended 31 December 2004

	Note	Unaudited six months ended 31 December 2004 $000	2003 $000
Net cash inflow from operating activities		**431,124**	352,904
Net cash used in investing activities		**(350,306)**	(1,098,780)
Net cash used in financing activities		**(184,276)**	(1,711,642)
Decrease in cash and cash equivalents		**(103,458)**	(2,457,518)
Cash and cash equivalents at the beginning of the period		**328,188**	2,820,725
Cash and cash equivalents at the end of the period		**224,730**	363,207
Analysis of cash and cash equivalents			
Cash and bank balances	13	**561,908**	697,801
Less: pledged bank deposits	13	**(337,178)**	(334,594)
		224,730	363,207

(Expressed in Hong Kong dollars)

Consolidated statement of changes in equity

For the six months ended 31 December 2004

	Unaudited						
	Share capital $000	Share premium $000	Capital redemption reserve $000	Contributed surplus $000	Exchange reserve $000	Retained profits $000	Total $000
At 1 July 2004	58,331	—	2,638	2,371,112	26	1,033,843	3,465,950
Cancellation of shares repurchased	(52)	—	52	—	—	—	—
Payment of 2004 final dividend	—	—	—	—	—	(192,321)	(192,321)
Exchange translation differences and net gain not recognised in the profit and loss account	—	—	—	—	(22)	—	(22)
Profit for the period	—	—	—	—	—	225,630	225,630
At 31 December 2004	**58,279**	—	**2,690**	**2,371,112**	**4**	**1,067,152**	**3,499,237**

For the six months ended 31 December 2003

	Unaudited						
	Share capital $000	Share premium $000	Capital redemption reserve $000	Contributed surplus $000	Exchange reserve $000	Retained profits $000	Total $000
At 1 July 2003	58,301	4,218,517	2,461	199,800	—	842,543	5,321,622
Issue of new shares upon exercise of share options	207	18,985	—	—	—	—	19,192
Repurchases of shares	—	—	—	(2,365)	—	(32)	(2,397)
Cancellation of share premium	—	(4,237,502)	—	4,237,502	—	—	—
Payment of 2003 final dividend	—	—	—	—	—	(157,972)	(157,972)
Payment of special cash dividend	—	—	—	(2,047,785)	—	—	(2,047,785)
Profit for the period	—	—	—	—	—	235,146	235,146
At 31 December 2003	58,508	—	2,461	2,387,152	—	919,685	3,367,806

Notes to condensed consolidated interim financial statements

For the six months ended 31 December 2004

1 Basis of preparation and the principal accounting policies

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2004.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2004.

2 Turnover

The Group is principally engaged in the provision of mobile services and the sale of mobile telephones and accessories. Revenues recognised during the period are as follows:

	Six months ended 31 December	
	2004	2003
	\$000	\$000
Mobile services	**1,309,857**	1,216,813
Mobile telephone and accessory sales	**520,721**	331,987
	1,830,578	1,548,800

3 Segment reporting

For the six months ended 31 December 2004 and 2003, more than ninety per cent. of the Group's turnover and operating profit was attributable to its mobile communications operations in the Special Administrative Regions of Hong Kong and Macau. Accordingly, no analysis by either business or geographical segment is included in the interim financial statements.

(Expressed in Hong Kong dollars)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2004

4 OPERATING PROFIT

Operating profit is arrived at after charging:

	Six months ended 31 December	
	2004	2003
	$000	$000
Depreciation		
Owned fixed assets	147,424	134,044
Leased fixed assets	62,823	67,301
Amortisation of deferred expenditure	13,737	10,283
Operating lease rentals for land and buildings, transmission sites and leased lines	211,027	204,036
Loss on disposal of fixed assets	2,706	3,709
Provision for inventories	580	569
Provision for bad and doubtful debts	7,786	6,969
Net exchange loss	226	4,925

5 NET FINANCE INCOME

	Six months ended 31 December	
	2004	2003
	$000	$000
Finance income		
Interest income from:		
Listed debt securities	8,973	9,796
Unlisted debt securities	13,417	13,575
Deposits with banks and other financial institutions	3,943	10,050
	26,333	33,421
Finance costs		
Interest expense on bank loans repayable within five years	(105)	(340)
Other borrowing costs	(267)	—
	(372)	(340)
	25,961	33,081

6 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the assessable profit for the period (2003: Nil). Taxation on overseas profits has been calculated on the estimated profit for the period at the rates of taxation prevailing in the country in which the Group operates (2003: Nil).

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 31 December	
	2004	2003
	$000	$000
Current taxation		
— Hong Kong	**14,972**	—
— Overseas	**2,073**	—
Deferred taxation relating to the origination of temporary differences	**20,521**	38,966
	37,566	38,966

7 Dividends

	Six months ended 31 December	
	2004	2003
	$000	$000
In respect of the period		
Interim declared/paid, of $0.19 per share (2003: $0.20 per share)	**110,730**	116,953
Attributable to prior years paid in the period		
Final of $0.33 per share (2003: $0.27 per share)	**192,321**	157,972
Special cash dividend of nil (2003: $3.50 per share)	—	2,047,785
	192,321	2,205,757
	303,051	2,322,710

At a meeting held on 28 February 2005, the directors declared an interim dividend of $0.19 per share for the year ending 30 June 2005. This declared dividend is not reflected as a dividend payable in the interim financial statements but will be accounted for as an appropriation of retained profits for the year ending 30 June 2005.

(Expressed in Hong Kong dollars)

Notes to condensed consolidated interim financial statements (Continued)

For the six months ended 31 December 2004

8 Basic and diluted earnings per share

The calculations of basic and diluted earnings per share are based on the profit attributable to shareholders of $225,630,000 (2003: $235,146,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 582,834,803 (2003: 584,048,178). The diluted earnings per share is based on 582,853,706 (2003: 584,418,314) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 18,903 (2003: 370,136) shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 EBITDA

EBITDA represents earnings before finance income and finance costs, depreciation and loss on disposal of fixed assets, share of loss of associate, taxation and minority interest. EBITDA includes all costs in relation to customer acquisition and amortisation of handset subsidies.

10 Fixed assets

	$000
Cost	
At 1 July 2004	4,671,435
Additions	303,299
Disposals	(51,222)
Exchange adjustment	(32)
At 31 December 2004	**4,923,480**
Accumulated depreciation and impairment losses	
At 1 July 2004	2,717,641
Charge for the period	210,247
Disposals	(47,752)
Exchange adjustment	(3)
At 31 December 2004	**2,880,133**
Net book value	
At 31 December 2004	**2,043,347**
At 30 June 2004	1,953,794

At 31 December 2004, the net book value of fixed assets held by the Group under finance leases amounted to $459,701,000 (30 June 2004: $525,848,000).

11 Investments

	31 December 2004 $000	30 June 2004 $000
Investment securities		
Unlisted equity securities	53,099	47,744
Held-to-maturity debt securities		
Listed outside Hong Kong	534,669	595,204
Unlisted	890,682	974,430
	1,425,351	1,569,634
Less: Debt securities maturing within one year of the balance sheet date included under current assets	(332,685)	(471,081)
	1,092,666	1,098,553
Total non-current investments	1,145,765	1,146,297
Market value of listed securities	530,849	592,683

12 Trade receivables

The Group allows an average credit period of thirty days to its subscribers and other customers. The ageing of the trade receivables, net of provisions, is as follows:

	31 December 2004 $000	30 June 2004 $000
Current to 30 days	167,868	144,386
31 - 60 days	17,563	18,283
61 - 90 days	5,859	3,920
Over 90 days	1,189	690
	192,479	167,279

(Expressed in Hong Kong dollars)

Notes to condensed consolidated interim financial statements (Continued)

For the six months ended 31 December 2004

13 Cash and bank balances

	31 December 2004 $000	30 June 2004 $000
Pledged bank deposits	**337,178**	325,620
Cash and cash equivalents	**224,730**	328,188
	561,908	653,808

Of the pledged bank deposits, $171,000,000 (30 June 2004: $150,000,000) has been pledged as cash collateral for the Group's 3G licence performance bond as referred to in note 20 "Contingent Liabilities".

14 Trade payables

The ageing of the trade payables is as follows:

	31 December 2004 $000	30 June 2004 $000
Current to 30 days	**99,971**	64,374
31 - 60 days	**55,272**	53,004
61 - 90 days	**16,751**	15,774
Over 90 days	**13,617**	21,701
	185,611	154,853

15 Share capital

	Shares of $0.10 each	$000
Authorised:		
At 1 July 2004 and 31 December 2004	1,000,000,000	100,000
Issued and fully paid:		
At 1 July 2004	583,311,928	58,331
Cancellation of shares repurchased	(520,500)	(52)
At 31 December 2004	**582,791,428**	**58,279**

During the six months ended 31 December 2004, no shares were repurchased. During the period, the Company cancelled 520,500 shares that were repurchased on The Stock Exchange of Hong Kong Limited during the year ended 30 June 2004. Accordingly, the related cancellation of shares repurchased has been included as a movement of issued and fully paid share capital for the six months ended 31 December 2004.

16 Employee share option scheme

At 31 December 2004, the outstanding options granted under the Company's share option scheme are as follows:

			Number of options			
Date of grant	Exercise period	Exercise price	Outstanding at 1 July 2004	Granted during the period	Exercised/ cancelled during the period	**Outstanding at 31 December 2004**
10 February 2003	10 February 2003 to 16 July 2011	$9.29	3,000,000	—	—	**3,000,000**
10 February 2003	2 May 2003 to 1 May 2012	$9.20	133,500	—	—	**133,500**
5 February 2004	5 February 2005 to 4 February 2014	$9.00	9,457,000	—	(77,000)	**9,380,000**
6 December 2004	6 December 2005 to 5 December 2014	$8.01	—	193,000	—	**193,000**
			12,590,500	193,000	(77,000)	**12,706,500**

17 Related party transactions

a During the period, the Group had the following significant transactions with certain related parties in the ordinary course of business as set out below. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions:

	Six months ended 31 December	
	2004	2003
	$000	$000
Operating lease rentals for land and buildings and transmission sites (note i)	**25,586**	27,372
Insurance expenses (note ii)	**4,800**	4,960

(Expressed in Hong Kong dollars)

Notes to condensed consolidated interim financial statements (Continued)

For the six months ended 31 December 2004

17 Related party transactions *(continued)*

i Operating lease rentals for land and buildings and transmission sites

Certain subsidiaries and associated companies of Sun Hung Kai Properties Limited ("SHKP"), the ultimate holding company of the Group, have leased premises to the Group for use as offices, retail shops and warehouses and have granted licences to the Group for the installation of base stations, antenna and telephone cables on certain premises owned by them.

For the six months ended 31 December 2004, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled $25,586,000 (2003: $27,372,000).

ii Insurance expenses

Sun Hung Kai Properties Insurance Limited and Hung Kai Insurance Brokers Company Limited, wholly owned subsidiaries of SHKP, provide general insurance services to the Group. For the six months ended 31 December 2004, insurance premiums paid and payable were $4,800,000 (2003: $4,960,000).

b At 31 December 2004, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

c New-Alliance Asset Management (Asia) Limited ("New Alliance"), an associate of SHKP, has been appointed as the investment manager of the Group's Occupational Retirement Scheme since October 1999. For the six months ended 31 December 2004 and 2003, no fees were paid by the Group as New-Alliance is remunerated by way of fee levied on mutual funds to which the Group's Occupational Retirement Scheme subscribes.

d The trading balances set out below with SHKP and its subsidiaries (the "SHKP Group") (including buildings and estates managed by the SHKP Group are included within the relevant balance sheet items:

	31 December 2004 $000	30 June 2004 $000
Trade receivables	**721**	634
Deposits and prepayments	**7,072**	6,337
Trade payables	**2,403**	393
Other payables and accruals	**349**	407

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

18 Capital commitments

Capital commitments outstanding at 31 December 2004 not provided for in the interim financial statements are as follows:

	31 December 2004 $000	30 June 2004 $000
Contracted for		
Fixed assets	**114,634**	29,737
Equity securities	**11,700**	19,500
Authorised but not contracted for	**347,208**	745,589
	473,542	794,826

19 Operating lease commitments

At 31 December 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2004 $000	30 June 2004 $000
Land and buildings and transmission sites		
Within one year	**303,402**	239,704
After one year but within five years	**168,691**	161,036
After five years	**11,829**	14,369
	483,922	415,109
Leased lines		
Within one year	**38,721**	29,832
After one year but within five years	**2,656**	2,852
	41,377	32,684

(Expressed in Hong Kong dollars)

Notes to condensed consolidated interim financial statements (Continued)

For the six months ended 31 December 2004

20 Contingent liabilities

Performance bonds

	31 December 2004 $000	30 June 2004 $000
Hong Kong 3G licence	**310,746**	150,000
Other	**1,942**	1,942
	312,688	151,942

The performance bonds were issued by certain banks in favour of the Telecommunications Authorities of Hong Kong and Macau in accordance with various telecommunications licences issued by those authorities to the Group. The banks' obligations under the performance bonds are guaranteed by the Company.

In October 2004, the third anniversary of the issue of the Hong Kong 3G Licence and subsequent to the payment of the third year spectrum utilisation fee of $50 million, the performance bond was revised to $311 million.

Bank facilities guarantees

At 31 December 2004, there were contingent liabilities in respect of guarantees given by the Company on behalf of a wholly owned subsidiary relating to short term revolving credit facilities and uncommitted trade finance facility granted by certain banks of up to $300 million (30 June 2004: $600 million). Of this amount, $222 million was utilised of which $170 million was drawn from the revolving loan and $52 million from the trade finance facility at 31 December 2004.

(Financial figures are expressed in Hong Kong dollars)

Interim Dividend

The directors declared an interim dividend of $0.19 (2003: $0.20) per share for the six months ended 31 December 2004 to shareholders whose names appear in the Register of Members of the Company on 24 March 2005.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 22 March 2005 to Thursday, 24 March 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the aforesaid interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716 Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Monday, 21 March 2005.

Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 15 November 2002 (the "Share Option Scheme"), the Company may grant options to the participants, including directors and employees of the Group, to subscribe for shares of the Company. At 31 December 2004, the following share options granted to the participants under the Share Option Scheme were still outstanding:

Grantee	Date of grant	Exercise price $	Exercise period	Outstanding at 1 July 2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2004
Directors								
Douglas Li	10 February 2003	9.29	10 February 2003 to 16 July 2011	3,000,000	—	—	—	3,000,000
Patrick Chan Kai-lung	10 February 2003	9.20	2 May 2003 to 1 May 2012	133,500	—	—	—	133,500
	5 February 2004	9.00	5 February 2005 to 4 February 2014	970,000	—	—	—	970,000
Employees	5 February 2004	9.00	5 February 2005 to 4 February 2014	8,487,000	—	—	(77,000)	8,410,000
	6 December 2004	8.01	6 December 2005 to 5 December 2014	—	193,000	—	—	193,000

The closing price of the shares of the Company as quoted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 December 2004, the trading day preceding the date of grant of the options during the period was $7.95.

Other than the options stated above, no share options had been granted by the Company to the other participants pursuant to the Share Option Scheme.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the period.

(Financial figures are expressed in Hong Kong dollars)

Directors' Interests and Short Positions

At 31 December 2004, the interests of the directors, chief executive and their respective associates in shares and in respect of equity derivatives, underlying shares and debentures of the Company and its associated corporations (as defined in the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO were as follows:

Interests in shares and underlying shares of the Company

	Shares				Equity derivatives		
Name of director	Personal	Spouse or child under 18	Controlled corporation	Others	Share options (Note)	Aggregate interests	Percentage of aggregate interests to issued capital
Raymond Kwok Ping-luen	—	—	—	2,237,767	—	2,237,767	0.38%
Douglas Li	—	—	—	—	3,000,000	3,000,000	0.51%
Patrick Chan Kai-lung	—	—	—	—	1,103,500	1,103,500	0.19%

Note: Information of the share options is listed below:

Name of director	Date of grant	Exercise price $	Outstanding at 1 July 2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2004
Douglas Li (Note 1)	10 February 2003	9.29	3,000,000	—	—	—	3,000,000
Patrick Chan Kai-lung	10 February 2003	9.20	133,500	—	—	—	133,500
(Notes 2 & 3)	5 February 2004	9.00	970,000	—	—	—	970,000

Notes:

1. The options are exercisable at $9.29 per share during the period from 10 February 2003 to 16 July 2011. The options can be exercised up to 20% from 10 February 2003, up to 40% from 17 July 2003, up to 60% from 17 July 2004, up to 80% from 17 July 2005 and in whole from 17 July 2006.

2. The options are exercisable at $9.20 per share during the period from 2 May 2003 to 1 May 2012. The options can be exercised up to one-third from 2 May 2003, up to two-thirds from 2 May 2004 and in whole from 2 May 2005.

3. The options are exercisable at $9.00 per share during the period from 5 February 2005 to 4 February 2014. The options can be exercised up to one-third from 5 February 2005, up to two-thirds from 5 February 2006 and in whole from 5 February 2007.

Interests in associated corporations

1. Interests in shares and underlying shares of Sun Hung Kai Properties Limited

Name of director	Shares: Personal	Shares: Spouse or child under 18	Shares: Controlled corporation	Shares: Others (Note 1)	Equity derivatives: Share options (Note 2)	Aggregate interests	Percentage of aggregate interests to issued capital
Raymond Kwok Ping-luen	—	—	—	1,079,515,895	75,000	1,079,590,895	44.96%
Michael Wong Yick-kam	70,904	—	—	—	225,000	295,904	0.01%
Ernest Lai Ho-kai	—	—	—	—	36,000	36,000	0.001%
Eric Li Ka-cheung	—	—	18,000	—	—	18,000	0.0007%

Note 1: Of these shares, Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed to be interested in 1,056,338,347 shares, which represented the same interests for the purpose of the SFO.

Note 2: Information of the share options is listed below:

Name of director	Date of grant	Exercise price $	Outstanding at 1 July 2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2004
Raymond Kwok Ping-luen	16 July 2001	70.00	75,000	—	—	—	75,000
Michael Wong	15 February 2000	70.00	150,000	—	—	—	150,000
Yick-kam	16 July 2001	70.00	75,000	—	—	—	75,000
Ernest Lai Ho-kai	16 July 2001	70.00	36,000	—	—	—	36,000

All options granted and accepted can be exercised up to one-third during the second year from the date of grant, up to two-thirds during the third year from the date of grant, and in whole or in part during the fourth and fifth years from the date of grant, thereafter, the relevant options will expire.

(Financial figures are expressed in Hong Kong dollars)

2. *Interests in shares and underlying shares of SUNeVision Holdings Ltd.*

Name of director	Personal	Spouse or child under 18	Controlled corporation	Others (Note 1)	Share options (Note 2)	Aggregate interests	Percentage of aggregate interests to issued capital
	Shares				Equity derivatives		
Raymond Kwok Ping-luen	—	—	—	1,742,500	601,666	2,344,166	0.11%
Michael Wong Yick-kam	100,000	—	—	—	300,000	400,000	0.01%
Andrew So Sing-tak	—	—	—	—	800,000	800,000	0.03%

Note 1: Of these shares, Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed to be interested in 1,070,000 shares, which represented the same interests for the purpose of the SFO.

Note 2: Information of the share options is listed below:

Name of director	Date of grant	Exercise price $	Outstanding at 1 July 2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2004
Raymond Kwok	28 March 2000	10.38	503,333	—	—	251,667	251,666
Ping-luen	7 April 2001	2.34	350,000	—	—	—	350,000
Michael Wong	28 March 2000	10.38	240,000	—	—	120,000	120,000
Yick-kam	7 April 2001	2.34	180,000	—	—	—	180,000
Andrew So Sing-tak	8 July 2002	1.43	400,000	—	—	—	400,000
	29 November 2003	1.59	400,000	—	—	—	400,000

The above share options are exercisable in accordance with the terms of the relevant share option scheme and conditions of grant.

3. *Interests in shares of other associated corporations*

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

Name of associated corporation	Beneficial owner	Attributable holding through corporation (Note)	Attributable percentage of shares in issue through corporation	Actual holding through corporation	Actual percentage interests in issued shares
Superindo Company Limited	10	—	—	—	10%
Super Fly Company Limited	10	—	—	—	10%
Splendid Kai Limited	—	2,500	25%	1,500	15%
Hung Carom Company Limited	—	25	25%	15	15%
Tinyau Company Limited	—	1	50%	1	50%
Open Step Limited	—	8	80%	4	40%

Note: Messrs. Walter Kwok Ping-sheung, Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen were deemed to be interested in these shares, which represented the same interests for the purpose of the SFO. Those shares were held by corporations in which they were entitled to control the exercise of one-third or more of the voting rights in the general meetings of those corporations.

The interests of the directors and chief executive in the share options of the Company and its associated corporations are being regarded for the time being as unlisted physically settled equity derivatives. The details of the share options of the Company are stated under the Share Option Scheme section above.

Save as disclosed above, at 31 December 2004, none of the directors and chief executive (including their spouses and children under 18 years of age) and their respective associates had or deemed to have any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any of its associated corporations that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(Financial figures are expressed in Hong Kong dollars)

Disclosable Interests and Short Positions of Shareholders under the SFO

At 31 December 2004, the following parties (other than the directors and chief executive of the Company) had interests of 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or as notified to the Company:

Name of shareholder	Note	Number of shares interested	Percentage of shares to issued share capital
Cellular 8 Holdings Limited ("Cellular 8")	1 & 2	289,364,972	49.65%
Sun Hung Kai Properties Limited ("SHKP")	1 & 2	303,532,897	52.08%
Marathon Asset Management Limited		52,720,373	9.05%
Commonwealth Bank of Australia		29,849,000	5.12%

Notes:

1. For the purposes of the SFO, the interest of Cellular 8 in the 289,364,972 shares of the Company noted above against the name of Cellular 8 is also attributed to SHKP on the basis that SHKP controls one-third or more of Cellular 8. The number of shares noted above against the name of SHKP therefore duplicates the interest of Cellular 8.

2. For the purposes of the SFO, the same interest of Cellular 8 is also attributed to those subsidiaries of SHKP through which SHKP holds its interest in Cellular 8. These subsidiaries are TFS Development Company Limited and Fourseas Investments Limited.

Save as disclosed above, no other parties had registered as having an interest of 5% or more in the shares or underlying shares of the Company or having short positions as recorded in the register kept under section 336 of the SFO.

Purchase, Sale or Redemption of Shares

At no time during the six months period ended 31 December 2004 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants).

The Audit Committee of the Company has been established since 1999 to provide advice and recommendations to the Board. The majority of the Committee members are independent non-executive directors and since March 2004, the chairman of the Committee is also an independent non-executive director. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee of the Company held a meeting on 22 February 2005 and reviewed the relevant interim financial statements and report of the Group for the six months period ended 31 December 2004. The Committee was content that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practice 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 interim financial statements for the six months ended 31 December 2004 have not been audited but have been reviewed by the Company's external auditors.

(Financial figures are expressed in Hong Kong dollars)

Code of Best Practice

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the non-executive directors of the Company are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

The directors adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 of the Listing Rules as the Model Code of the Company regarding securities transactions by directors with effect from 31 March 2004. Having made specific enquiry of all directors, the directors confirm that they have complied with the required standard set out in the Model Code regarding directors' securities transactions.

The financial information disclosed in this report complies with the disclosure requirements of Appendix 16 of the Listing Rules and has been reviewed by the Audit Committee and the auditors before being put forward to the directors for approval.

By order of the Board
Maria Li
Company Secretary

Hong Kong, 28 February 2005