SmarTone Telecommunications Holdings Limited

(Stock Code: 315)

Interim Report | 2007/2008

CONTENTS

2	Chairman's Statement
4	Management Discussion and Analysis
7	Report on Review of Interim Financial Information
8	Consolidated Profit and Loss Account
9	Consolidated Balance Sheet
10	Condensed Consolidated Cash Flow Statement
11	Consolidated Statement of Changes in Equity
13	Notes to the Interim Financial Statements
29	Other Information

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

I am pleased to report the results of the Group for the six months ended 31 December 2007.

Financial Highlights

Revenues for the period declined slightly by 2% to $2,056 million, with the 10% growth in mobile service revenue offset by the decline in handset revenue. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 26% to $551 million. Profit attributable to equity holders increased to $161 million, compared to $44 million for the same period last year. Earnings per share amounted to 27.8 cents.

Dividend

Your Board is declaring an interim dividend of 28 cents per share. This is in accordance with the Group's stated dividend policy of distributing 100% of its profit attributable to equity holders excluding extraordinary items.

Business Review

Hong Kong Mobile Business

Mobile service revenue showed continued increase. This reflects improving customer profile and ARPU, with increasing adoption of multimedia services. We continue to focus on offering differentiated propositions to targeted customer segments, and providing exemplary service levels and superior customer experiences.

Handset revenue declined, however, as a result of lower average selling price, reflecting an increasingly competitive market.

Data revenue continued to show encouraging growth. Its contribution to mobile service revenue increased to 22.1%, compared to 17.1% for the same period last year. Revenue from multimedia services accounted for two-thirds of total data revenue.

On the back of the improving customer profile, blended ARPU increased by 7% to $238, while postpaid ARPU registered an 11% growth to $283. Postpaid churn rate improved slightly to 2.1% in December 2007. Total customer number reached 1,108,000 as of 31 December 2007. 3G customer base continues to expand and currently accounts for 40% of postpaid customers.

SmarTone-Vodafone is continuing to introduce service propositions which deliver superior customer experience and redefine the use of mobile devices in customers' everyday lives. FoneTV, a personal mobile TV service, provides a rich variety of hand-picked programmes and branded live TV channels. Unique to SmarTone-Vodafone, customers can enjoy TV-like experience on mobile with split-screen presentation of video content and a control panel, making fast channel switching and interactive transactions easy. The service also offers an upgrade option to enable customers with HSPA handsets to enjoy HD Wide, a high definition wide-screen presentation.

SmarTone-Vodafone has fully upgraded its network to HSPA with download speed of up to 14.4Mbps and upload speed of up to 2Mbps. HSPA is provided throughout the whole of our network which enjoys full-area as well as extensive in-building coverage. This platform is the key enabler for SmarTone-Vodafone Mobile Broadband, a PC connectivity service, as well as other advanced multimedia services. We are confident that our network is best-in-class and this is increasingly recognised in the market.

Through the partnership with Vodafone, the company introduced a series of exclusive Vodafone branded handsets and HSPA modems to meet customers' ever growing expectations. These devices come with superb quality, unparalleled ease of use and optimised integration with SmarTone-Vodafone's services, offering customers ever wider choice and superb value.

Macau Mobile Business

Taking advantage of the vibrant economy of Macau, the business continued to deliver growth in mobile service revenue and profits.

Prospects

In an increasingly competitive market, together with rising cost inflation and declining interest rates, profits for the second half of the year is expected to come under pressure.

Your Company will continue to focus on offering differentiated propositions to targeted customer segments as well as providing exemplary service levels and superior customer experiences. We will explore new revenue opportunities with groundbreaking services that will reshape the way customers seek infotainment and fulfil their total communications needs. I am confident that your Company is well positioned to compete effectively, as well as to exploit business opportunities in this rapidly changing industry.

Appreciation

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

Raymond Ping-luen Kwok
Chairman

Hong Kong, 4 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

Revenues fell by 2% to $2,056 million (first half of 2006/07: $2,102 million) with the growth in mobile service revenue offset by the drop in mobile telephone and accessory sales. Mobile service revenue grew by $154 million or 10% driven by improvement in ARPU and modest customer growth. This revenue growth outweighed the increase in cost of services provided and operating expenses. Cost of inventories sold fell in line with lower sales revenue. Depreciation, amortisation and loss on disposal fell by 8%. As a result, operating profit surged by 300% to $191 million (first half of 2006/07: $48 million). The increase in finance income offset higher finance costs, comprising mainly of accretion expenses. Profit attributable to equity holders of the Company reported a strong 270% growth to $161 million (first half of 2006/07: $44 million).

Revenues fell by 2% to $2,056 million (first half of 2006/07: $2,102 million).

- Mobile service revenue grew by 10% to $1,707 million (first half of 2006/07: $1,553 million), reflecting improving customer profile and ARPU. Data service revenue showed encouraging growth while local voice revenue continued to drop as a result of intense price competition in the market.

  Hong Kong blended ARPU rose by 7% to $238 (first half of 2006/07: $222), reflecting the Group's continued improvement in the quality of its customer base.

  Hong Kong postpaid ARPU recorded an 11% growth to $283 (first half of 2006/07: $254) despite heavy downward pressure on local tariffs.

  Data service continued to make an important contribution to the Group's revenue growth, achieving a strong 42% increase due to the growing adoption of multimedia services.

- Mobile telephone and accessory sales fell by 36% to $349 million (first half of 2006/07: $549 million) with lower average unit selling price amidst keen market competition.

Cost of sales decreased by 20% to $690 million (first half of 2006/07: $859 million). Cost of inventories sold fell by 37% to $339 million (first half of 2006/07: $539 million) in line with the drop in mobile telephone and accessory sales. Cost of services provided grew by 9% to $350 million (first half of 2006/07: $320 million) driven by higher interconnect charges, data service costs and roaming partner charges as a result of increased usage.

Operating expenses (excluding depreciation, amortisation and loss on disposal) rose modestly by 1% to $815 million (first half of 2006/07: $805 million). Network operating costs increased by 4% as a result of the Group's continuing enhancement of network capacity, quality and coverage. Sales and marketing expenses dropped by 18% mainly due to lower advertising spending. Staff costs, rental and utilities, and other operating expenses rose by 9% collectively largely driven by cost pressure in the labour and property markets.

Depreciation and loss on disposal of fixed assets fell by 8% to $225 million (first half of 2006/07: $244 million) mainly due to the impact of certain fully depreciated network equipment.

Handset subsidy amortisation fell by $11 million or 10% to $103 million (first half of 2006/07: $114 million) as the amount of unamortised handset subsidy brought forward decreased to $150 million (first half of 2006/07: $168 million). Unamortised handset subsidy at 31 December 2007 increased to $180 million (30 June 2007: $150 million).

Finance income increased by 9% to $53 million (first half of 2006/07: $48 million) attributable to higher average balance of bank deposits and debt securities, and stable average returns thereon. Finance costs rose by 14% to $43 million (first half of 2006/07: $38 million) due to higher accretion expenses in respect of mobile licence fee liabilities and asset retirement obligations.

Macau operations continued to grow and delivered satisfactory results in the six months ended 31 December 2007. Revenues grew by 32% to $137 million (first half of 2006/07: $103 million). This outperformed the 4% increase in cost of sales, operating expenses, depreciation and amortisation collectively. As a result, operating profit rose by 85% to $61 million (first half of 2006/07: $33 million).

Capital structure, liquidity and financial resources

There had been no major changes to the Group's capital structure during the six months ended 31 December 2007. The Group was financed by share capital and internally generated funds during the period under review. The cash resources of the Group remain strong with cash and bank balances, and investments in held-to-maturity debt securities of $1,638 million at 31 December 2007 (30 June 2007: $2,348 million).

During the six months ended 31 December 2007, the Group's net cash generated from operating activities and interest received amounted to $409 million and $54 million respectively. The Group's major outflows of funds during the period under review were payments for the purchase of fixed assets, handset subsidies, mobile licence fees and 2006/07 final and special cash dividends.

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2008 with internal cash resources.

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 as 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 31 December 2007 and 30 June 2007, the Group's total available banking facilities amounted to $100 million and no amount of the facilities 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. The total amount of pledged deposits as at 31 December 2007 was $340 million (30 June 2007: $324 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(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 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 gains and losses other than from its United States dollar denominated bank deposits and debt securities. 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 2007 under these performance bonds was $454 million (30 June 2007: $404 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 1,709 full-time employees as at 31 December 2007 (30 June 2007: 1,692), with the majority of them based in Hong Kong. Total staff costs were $209 million for the six months ended 31 December 2007 (first half of 2006/07: $189 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 performance of the individual employee. 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 six months ended 31 December 2007, no share options were granted; 979,000 options were exercised to subscribe for 979,000 shares in the Company; and 193,000 share options were cancelled or lapsed. At 31 December 2007, 9,481,500 share options (30 June 2007: 10,653,500) were outstanding.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SMARTONE TELECOMMUNICATIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 8 to 28, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2007 and the related condensed consolidated profit and loss account, statement of changes in equity, cash flow statement for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4 March 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 31 December 2007 $000	2006 $000
Mobile services		**1,706,514**	1,552,893
Mobile telephone and accessory sales		**349,173**	548,632
Revenues	4	**2,055,687**	2,101,525
Cost of sales		**(689,557)**	(859,354)
Network costs		**(324,951)**	(313,342)
Staff costs		**(209,383)**	(188,610)
Sales and marketing expenses		**(133,813)**	(163,428)
Rental and utilities		**(76,160)**	(72,019)
Other operating expenses		**(70,948)**	(67,703)
Depreciation, amortisation and loss on disposal		**(360,059)**	(389,372)
Operating profit		**190,816**	47,697
Finance income	6	**52,749**	48,408
Finance costs	7	**(43,240)**	(37,955)
Profit before income tax	5	**200,325**	58,150
Income tax expense	8	**(24,040)**	(6,396)
Profit after income tax		**176,285**	51,754
Attributable to:			
Equity holders of the Company		**161,101**	43,525
Minority interests		**15,184**	8,229
		176,285	51,754
Earnings per share for profit attributable to the equity holders of the Company during the period	10		
(expressed in cents per share)			
Basic		**27.8**	7.5
Diluted		**27.8**	7.5
Dividends	9		
In respect of the period		**161,115**	—
Attributable to prior years paid in the period		**648,366**	69,935

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2007 and 30 June 2007
(Expressed in Hong Kong dollars)

	Note	Unaudited 31 December 2007 $000	Audited 30 June 2007 $000
Non-current assets			
Fixed assets	11	1,776,741	1,832,045
Interest in an associate		1,812	1,812
Financial investments	12	56,381	58,854
Intangible assets	13	782,524	783,925
Deposits and prepayments – non-current portion	14	51,539	47,673
		2,668,997	2,724,309
Current assets			
Inventories		106,395	75,066
Financial investments	12	—	31,340
Trade receivables	14	208,332	179,418
Deposits and prepayments – current portion		140,405	82,078
Other receivables	14	55,607	31,143
Cash and bank balances	15	1,637,527	2,316,455
		2,148,266	2,715,500
Current liabilities			
Trade payables	16	114,497	154,984
Other payables and accruals		646,923	711,787
Current income tax liabilities		23,183	31,612
Customers' deposits		34,573	31,312
Deferred income		79,505	79,549
Mobile licence fee liabilities – current portion		76,020	65,895
		974,701	1,075,139
Net current assets		1,173,565	1,640,361
Total assets less current liabilities		3,842,562	4,364,670
Non-current liabilities			
Asset retirement obligations		53,118	47,587
Mobile licence fee liabilities – non-current portion		613,729	649,809
Deferred income tax liabilities		138,252	129,613
Net assets		3,037,463	3,537,661
Capital and reserves			
Share capital	17	57,698	58,018
Reserves		2,940,577	3,452,526
Total equity attributable to equity holders of the Company		2,998,275	3,510,544
Minority interests		39,188	27,117
Total equity		3,037,463	3,537,661

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007
(Expressed in Hong Kong dollars)

		Unaudited six months ended 31 December	
		2007	2006
	Note	**$000**	$000
Net cash generated from operating activities		**409,461**	430,586
Net cash (used in)/generated from investing activities		**(408,699)**	371,766
Net cash used in financing activities		**(694,154)**	(88,647)
Net (decrease)/increase in cash and cash equivalents		**(693,392)**	713,705
Effect of foreign exchange rate change		**(1,033)**	1,337
Cash and cash equivalents at 1 July		**1,992,060**	1,038,530
Cash and cash equivalents at 31 December		**1,297,635**	1,753,572
Analysis of balances of cash and cash equivalents			
Cash and bank balances	15	**1,637,527**	2,083,423
Less: short-term pledged bank deposits	15	**(339,892)**	(329,851)
		1,297,635	1,753,572

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007

(Expressed in Hong Kong dollars)

	Unaudited									
	Attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium	Revaluation reserve	Capital redemption reserve	Contributed surplus	Employee share-based compensation reserve	Exchange reserve	Retained profits		
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2006	58,279	–	–	2,690	2,371,112	14,864	270	978,327	23,795	3,449,337
Currency translation differences	–	–	–	–	–	–	197	–	–	197
Repurchase of shares	(91)	–	–	91	(6,628)	–	–	(91)	–	(6,719)
Employee share-based compensation	–	–	–	–	–	727	–	–	–	727
Revaluation surplus of financial investments	–	–	20,286	–	–	–	–	–	–	20,286
Payment of 2006 interim dividend to a minority interest	–	–	–	–	–	–	–	–	(2,447)	(2,447)
Payment of 2006 final dividend	–	–	–	–	–	–	–	(69,935)	–	(69,935)
Profit for the period	–	–	–	–	–	–	–	43,525	8,229	51,754
At 31 December 2006	58,188	–	20,286	2,781	2,364,484	15,591	467	951,826	29,577	3,443,200

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2007
(Expressed in Hong Kong dollars)

	Unaudited									
	Attributable to equity holders of the Company								Minority interests	Total
	Share capital $000	Share premium $000	Revaluation reserve $000	Capital redemption reserve $000	Contributed surplus $000	Employee share-based compensation reserve $000	Exchange reserve $000	Retained profits $000	$000	$000
At 1 July 2007	58,018	270	17,899	2,954	2,349,294	15,705	713	1,065,691	27,117	3,537,661
Currency translation differences	–	–	–	–	–	–	253	–	–	253
Repurchase of shares	(418)	–	–	418	(34,746)	–	–	(418)	–	(35,164)
Issue of shares	98	10,642	–	–	–	(1,929)	–	–	–	8,811
Employee share-based compensation	–	–	–	–	–	9	–	–	–	9
Revaluation surplus of financial investments	–	–	1,087	–	–	–	–	–	–	1,087
Payment of 2007 interim dividend to a minority interest	–	–	–	–	–	–	–	–	(3,113)	(3,113)
Payment of 2007 final and special cash dividends	–	–	–	–	–	–	–	(648,366)	–	(648,366)
Profit for the period	–	–	–	–	–	–	–	161,101	15,184	176,285
At 31 December 2007	**57,698**	**10,912**	**18,986**	**3,372**	**2,314,548**	**13,785**	**966**	**578,008**	**39,188**	**3,037,463**

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

1 General information

SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of mobile services and the sale of mobile telephones 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 primary listing on The Stock Exchange of Hong Kong Limited (the "HKSE").

These unaudited condensed consolidated interim financial statements ("Interim Financial Statements") are presented in thousands of units of HK dollars ($000), unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 4 March 2008.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2007 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2007.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2007, as described in the annual financial statements for the year ended 30 June 2007.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 30 June 2008.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment [2]
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [3]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 November 2006.
[3] Effective for annual periods beginning on or after 1 March 2007.

For the six months ended 31 December 2007
(Expressed in Hong Kong dollars)

3 Accounting policies *(continued)*

The above mentioned new standards, amendments to standards and interpretations did not result in material impacts to the Group other than the disclosure impacts on the consolidated financial statements for the year ending 30 June 2008. In summary:

- HKAS 1 (Amendment) deals with the capital disclosure requirements of an entity. The amendment to HKAS 1 requires the disclosure of (i) qualitative information about an entity's objective, policies and processes for managing capital; (ii) summary quantitative data about what the entity manages as capital; and (iii) whether the entity has complied with any externally imposed capital requirements and the consequences of any non-compliance. The new disclosure requirements introduced by HKAS 1 (Amendment) will be made in the annual financial statements for the year ending 30 June 2008.

- HKFRS 7 deals with the disclosure requirements in relation to all risks arising from financial instruments within HKAS 39, and applies to any entity that holds financial instruments. HKFRS 7 requires an entity to disclose the significance of financial instruments to the entity's financial position and performance, as well as the qualitative and quantitative information about the nature and extent of risk exposures arising from financial instruments. The new disclosure requirements introduced by HKFRS 7 will be made in the annual financial statements for the year ending 30 June 2008.

- HK (IFRIC) - INT 10 prohibits the impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost to be reversed at a subsequent balance sheet date.

- HK (IFRIC) - INT 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 30 June 2008 and have not been early adopted.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKFRS 8	Operating Segments [1]
HK (IFRIC) – INT 12	Service Concession Arrangements [2]
HK (IFRIC) – INT 13	Customer Loyalty Programmes [3]
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]

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

4 Segment reporting

More than 90% of the Group's revenues and operating profit was attributable to its mobile communications operations. Accordingly, no analysis by business segment is included in these Interim Financial Statements.

Segment information is presented by way of geographical regions as the primary reporting format. An analysis of the Group's segment information by geographical segment is set out as follows:

	Six months ended 31 December 2007			
	Hong Kong	Macau	Elimination	Consolidated
	$000	$000	$000	$000
Revenues	1,935,679	136,617	(16,609)	2,055,687
Operating profit	130,214	60,602	—	190,816
Finance income				52,749
Finance costs				(43,240)
Profit before income tax				200,325
Income tax expense				(24,040)
Profit after income tax				176,285

	Six months ended 31 December 2006			
	Hong Kong	Macau	Elimination	Consolidated
	$000	$000	$000	$000
Revenues	2,011,095	103,211	(12,781)	2,101,525
Operating profit	14,900	32,636	161	47,697
Finance income				48,408
Finance costs				(37,955)
Profit before income tax				58,150
Income tax expense				(6,396)
Profit after income tax				51,754

5 Profit before income tax

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

	Six months ended 31 December	
	2007	2006
	$000	$000
Cost of inventories sold	**339,407**	538,965
Amortisation		
Handset subsidies	**103,093**	113,846
Mobile licence fees	**32,191**	31,091
Depreciation		
Owned fixed assets	**181,529**	199,357
Leased fixed assets	**40,889**	43,588
Operating lease rentals for land and buildings, transmission sites and leased lines	**297,540**	272,895
(Reversal of)/ impairment loss of inventories	**(2,133)**	900
Loss on disposal of fixed assets	**2,357**	1,490
Net exchange loss/(gain)	**1,414**	(650)

6 Finance income

	Six months ended 31 December	
	2007	2006
	$000	$000
Interest income from debt securities		
Listed	**113**	677
Unlisted	**—**	1,501
	113	2,178
Interest income from deposits with banks and other financial institutions	**51,020**	44,903
Accretion income	**1,616**	1,327
	52,749	48,408

Accretion income represented changes in the rental deposits due to passage of time calculated by applying an interest method of allocation to the amount of rental deposits at the beginning of the period.

7 Finance costs

	Six months ended 31 December	
	2007	2006
	$000	$000
Accretion expenses		
Mobile licence fee liabilities	**39,940**	37,153
Asset retirement obligations	**3,298**	801
Other borrowing costs	**2**	1
	43,240	37,955

Accretion expenses represented changes in the mobile licence fee liabilities and asset retirement obligations due to passage of time calculated by applying an interest method of allocation to the amount of the liabilities at the beginning of the period.

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

The amount of income tax expense charged to the consolidated profit and loss account represents:

	Six months ended 31 December	
	2007	2006
	$000	$000
Current income tax		
Hong Kong profits tax	**8,104**	1,263
Overseas tax	**7,297**	3,870
Deferred income tax	**8,639**	1,263
	24,040	6,396

9 Dividends

	Six months ended 31 December	
	2007	2006
	$000	$000
In respect of the period		
Interim dividend declared of 28 cents (2006: nil) per share	**161,115**	—
Attributable to prior years paid in the period		
Final dividend of 27 cents (2006: 12 cents) per share	**156,303**	69,935
Special cash dividend of 85 cents (2006: nil) per share	**492,063**	—
	648,366	69,935
	809,481	69,935

At a meeting held on 4 March 2008, the directors declared an interim dividend of 28 cents per share for the year ending 30 June 2008. The interim dividend declared is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2008.

At a meeting held on 28 August 2007, the directors declared a final dividend of 27 cents per share and a special cash dividend of 85 cents per share for the year ended 30 June 2007, which were paid on 19 November 2007 and have been reflected as an appropriation of retained profits for the six months ended 31 December 2007.

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 $161,101,000 (2006: $43,525,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 578,725,553 (2006: 582,715,303). The diluted earnings per share is based on 579,243,252 (2006: 582,715,425) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 517,699 (2006: 122) shares deemed to be issued at no consideration if all outstanding options had been exercised.

11 Fixed assets

	$000
Opening net book amount at 1 July 2007	1,832,045
Additions	169,735
Disposals	(2,807)
Exchange differences	186
Depreciation	(222,418)
Closing net book amount at 31 December 2007	**1,776,741**
Opening net book amount at 1 July 2006	1,924,064
Additions	133,013
Disposals	(1,847)
Exchange differences	195
Depreciation	(242,945)
Closing net book amount at 31 December 2006	1,812,480
Additions	256,645
Disposals	(11,508)
Exchange differences	211
Depreciation	(225,783)
Closing net book amount at 30 June 2007	1,832,045

At 31 December 2007, the net book amount of fixed assets held by the Group under finance leases amounted to $163,571,000 (30 June 2007: $204,464,000).

12 Financial investments

	31 December 2007 $000	30 June 2007 $000
Available-for-sale financial assets	**56,381**	58,854
Held-to-maturity debt securities	**—**	31,340
	56,381	90,194
Less: Held-to-maturity debt securities maturing within one year of the balance sheet date included under current assets	**—**	(31,340)
Total non-current financial investments	**56,381**	58,854

	Available-for-sale financial assets $000
Carrying value at 31 December 2007	
Unlisted, traded on inactive markets and of private issuers	56,381

	$000
(a) Available-for-sale financial assets	
At 1 July 2007	58,854
Distributions	(3,560)
Revaluation surplus	1,087
At 31 December 2007	**56,381**

	$000
(b) Held-to-maturity debt securities	
At 1 July 2007	31,340
Amortisation	(68)
Redemption upon maturity	(31,272)
At 31 December 2007	**—**

During the six months ended 31 December 2006 and 2007, no gain or loss arose on the disposal of held-to-maturity debt securities.

13 Intangible assets

	Handset subsidies $000	Mobile licence fees $000	Total $000
Opening net book amount at 1 July 2007	149,659	634,266	783,925
Additions	133,883	—	133,883
Amortisation	(103,093)	(32,191)	(135,284)
Closing net book amount at 31 December 2007	**180,449**	**602,075**	**782,524**
Opening net book amount at 1 July 2006	168,462	631,497	799,959
Additions	69,023	66,052	135,075
Amortisation	(113,846)	(31,091)	(144,937)
Closing net book amount at 31 December 2006	123,639	666,458	790,097
Additions	124,405	—	124,405
Amortisation	(98,385)	(32,192)	(130,577)
Closing net book amount at 30 June 2007	149,659	634,266	783,925

14 Trade and other receivables

	31 December 2007 $000	30 June 2007 $000
Trade receivables	**220,618**	192,423
Less: provision for impairment of trade receivables	**(12,286)**	(13,005)
Trade receivables – net	**208,332**	179,418
Deposits and prepayments	**191,944**	129,751
Other receivables	**55,607**	31,143
	455,883	340,312
Less: deposits and prepayments – non-current portion	**(51,539)**	(47,673)
Current portion	**404,344**	292,639

14 Trade and other receivables *(continued)*

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

	31 December 2007 $000	30 June 2007 $000
Current to 30 days	171,515	159,535
31 - 60 days	25,798	15,304
61 - 90 days	7,207	3,365
Over 90 days	3,812	1,214
	208,332	179,418

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 $5,866,000 (2006: $7,466,000) for the impairment of its trade receivables during the six months ended 31 December 2007. The loss has been included in other operating expenses in the consolidated profit and loss account.

15 Cash and bank balances

	31 December 2007 $000	30 June 2007 $000
Short-term pledged bank deposits	339,892	324,395
Cash at bank and in hand	89,766	68,070
Short-term bank deposits	1,207,869	1,923,990
Cash and cash equivalents	1,297,635	1,992,060
	1,637,527	2,316,455

Of the pledged bank deposits, $226,244,000 (30 June 2007: $200,933,000) has been pledged as cash collateral for the Group's 3G Licence performance bond as referred to in note 19 – "Commitments and contingent liabilities".

16 Trade payables

An ageing analysis of trade payables is as follows:

	31 December 2007 $000	30 June 2007 $000
Current to 30 days	**68,862**	75,656
31 - 60 days	**25,659**	40,094
61 - 90 days	**7,710**	9,769
Over 90 days	**12,266**	29,465
	114,497	154,984

17 Share capital

	Shares of $0.10 each	$000
Authorised:		
At 1 July 2007 and 31 December 2007	**1,000,000,000**	**100,000**
Issued and fully paid:		
At 1 July 2007	580,178,928	58,018
Issue of new shares upon exercise of share options (a)	979,000	98
Repurchases of shares (b)	(4,176,500)	(418)
At 31 December 2007	**576,981,428**	**57,698**

a During the six months ended 31 December 2007, options were exercised to subscribe for 979,000 shares in the Company at a consideration of $8,811,000, of which $98,000 was credited to share capital and the balance of $8,713,000 was credited to the share premium account. In respect of the options exercised, an amount of $1,929,000 was reversed from the employee share-based compensation reserve and credited to the share premium account.

b. During the six months ended 31 December 2007, the Company repurchased 4,176,500 shares on the HKSE. These repurchased shares were cancelled prior to 31 December 2007. The total amount paid to acquire these shares of $35,164,000 was deducted from shareholders' equity.

17 Share capital *(continued)*

Details of these repurchases are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest $	Price per share Lowest $	Aggregate price paid $000
July 2007	968,500	9.20	8.85	8,702
October 2007	1,090,000	9.48	9.06	10,091
November 2007	1,916,000	9.34	7.24	14,898
December 2007	202,000	7.29	7.29	1,473
	4,176,500			35,164

18 Employee share option scheme

Movements of the share options granted to the participants pursuant to the Company's share option scheme during the six months ended 31 December 2007 are as follows:

			Number of options				
Date granted	Exercise period	Exercise price per share $	Outstanding at 1 July 2007	Granted during the period	Exercised during the period	Cancelled /Lapsed during the period	Outstanding at 31 December 2007
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	7,327,000	–	(979,000)	(193,000)	**6,155,000**
1 March 2005	1 March 2006 to 28 February 2015	9.05	193,000	–	–	–	**193,000**
			10,653,500	–	(979,000)	(193,000)	**9,481,500**

19 Commitments and contingent liabilities

a Capital commitments

Capital commitments outstanding at 31 December 2007 not provided for in the Interim Financial Statements were as follows:

	31 December 2007 $000	30 June 2007 $000
Contracted for		
Fixed assets	**415,820**	53,178
Equity securities	**3,550**	3,557
Authorised but not contracted for	**138,891**	490,333
	558,261	547,068

b Operating lease commitments

The Group leases various retail stores, offices, warehouses, transmission sites and leased lines under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2007 $000	30 June 2007 $000
Land and buildings and transmission sites		
Within one year	**338,815**	363,793
After one year but within five years	**225,297**	245,054
After five years	**24,263**	27,939
	588,375	636,786
Leased lines		
Within one year	**35,937**	29,510
After one year but within five years	**23,198**	19,765
After five years	**1,948**	2,176
	61,083	51,451

19 Commitments and contingent liabilities *(continued)*

c Performance bonds

	31 December 2007 $000	30 June 2007 $000
Hong Kong 3G Licence	**452,487**	401,865
Other	**1,942**	1,942
	454,429	403,807

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 and various subsidiaries of the Company.

On 22 October 2007, the sixth anniversary of the issue of the 3G Licence and subsequent to the payment of the sixth year spectrum utilisation fee of $60 million, the performance bond was revised. The revised bond was for $452 million with a duration of five years.

d Lease out, lease back agreements

Under certain lease out, lease back agreements entered into during the year ended 30 June 1999, a subsidiary of the Company has undertaken to guarantee the obligations of the intermediary lessees to the lessors as agreed at the inception of the lease for a period of 16 years. The directors are of the opinion that the risk of the subsidiary company being called upon to honour this guarantee is remote and accordingly the directors do not consider that an estimate of the potential financial effect of these contingencies can practically be made.

20 Related party transactions

The Group is controlled by Cellular 8 Holdings Ltd, which owns 54.49% of the Company's shares. The remaining 45.51% of the shares are widely held. The ultimate parent of the Group is Sun Hung Kai Properties Limited ("SHKP"), a company incorporated in Hong Kong.

a During the six months ended 31 December 2007, the Group had significant transactions with certain subsidiaries and associated companies of SHKP in the ordinary course of business as set out below. All related party transactions are carried out in accordance with the terms of the relevant agreements governing the transactions.

	Six months ended 31 December	
	2007	2006
	$000	$000
Operating lease rentals for land and buildings and transmission sites (i)	**33,527**	32,496
Insurance expenses (ii)	**1,842**	2,199

(i) Operating lease rentals for land and buildings and transmission sites
Certain subsidiaries and associated companies of SHKP 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, antennae and telephone cables on certain premises owned by them.

For the six months ended 31 December 2007, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled $33,527,000 (2006: $32,496,000).

(ii) Insurance expenses
Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. For the six months ended 31 December 2007, insurance premiums paid and payable were $1,842,000 (2006: $2,199,000).

b At 31 December 2007, 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.

20 Related party transactions *(continued)*

c Key management compensation

	Six months ended 31 December	
	2007	2006
	$000	$000
Salaries and other short-term employee benefits	**15,681**	11,890
Share-based payments	**—**	309
	15,681	12,199

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 2007	30 June 2007
	$000	$000
Trade receivables (note 14)	**697**	611
Deposits and prepayments (note 14)	**6,589**	4,407
Trade payables (note 16)	**93**	413
Other payables and accruals	**2,542**	1,769

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

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

INTERIM DIVIDEND

The directors declared an interim dividend of 28 cents (2006: nil) per share for the six months ended 31 December 2007 to shareholders whose names appear in the Register of Members of the Company on 2 April 2008. It is expected that the interim dividend warrants will be despatched to shareholders on or about 15 April 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 28 March 2008 to Wednesday, 2 April 2008 (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 acccompanied 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 27 March 2008.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "HKSE") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the required standard of dealings by Directors as referred to in the "Model Code for Securities Transactions by Directors of Listed Issuers" of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the HKSE, were as follows:

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

1. Long positions in shares and underlying shares of the Company

	Number of shares held							
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Raymond Ping-luen Kwok	—	—	—	2,237,767 [1]	2,237,767	—	2,237,767	0.38
Douglas Li	—	—	—	—	—	3,000,000 [2]	3,000,000	0.52
Patrick Kai-lung Chan	—	—	—	—	—	1,103,500 [2]	1,103,500	0.19

Notes:

1. Mr Raymond Ping-luen Kwok was deemed to be interested in these shares by virtue of being beneficiary of certain discretionary trust(s) for the purpose of the SFO.

2. These represented the interests in the underlying shares of the Company in respect of the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company, the details of which are set out in the section entitled "Share Option Scheme".

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

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

	Number of shares held							
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Raymond Ping-luen Kwok	75,000	—	—	1,086,165,895 [1]	1,086,240,895	—	1,086,240,895	42.36
Michael Yick-kam Wong	145,904	—	—	—	145,904	—	145,904	0
Eric Ka-cheung Li	—	—	18,000	—	18,000	—	18,000	0

Note:

1. Of these shares in SHKP, Mr Raymond Ping-luen Kwok was deemed to be interested in 1,062,988,347 shares by virtue of being beneficiary of certain discretionary trusts for the purpose of the SFO.

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Raymond Ping-luen Kwok	—	—	—	1,742,500 [1]	1,742,500	—	1,742,500	0.08
Michael Yick-kam Wong	100,000	—	—	—	100,000	—	100,000	0
Andrew Sing-tak So	326,667	—	—	—	326,667	133,333 [2]	460,000	0.02

Notes:

1. Of these shares in SUNeVision, Mr Raymond Ping-luen Kwok was deemed to be interested in 1,070,000 shares by virtue of being beneficiary of certain discretionary trusts for the purpose of the SFO.

2. These represented the interests in the underlying shares in SUNeVision in respect of the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SUNevision.

(c) *Mr Raymond Ping-luen Kwok had the following interests in shares of the following associated corporations:*

Name of associated corporation	Attributable holding through corporation	Attributable % of shares in issue through corporation	Actual holding through corporation	Actual % interests in issued shares
Splendid Kai Limited	2,500	25	1,500 [1]	15
Hung Carom Company Limited	25	25	15 [1]	15
Tinyau Company Limited	1	50	1 [1]	50
Open Step Limited	8	80	4 [1]	40

Note:

1. Mr Raymond Ping-luen Kwok was deemed to be interested in these shares for the purpose of the SFO. These shares were held by corporations in which Mr Kwok was entitled to control the exercise of one-third or more of the voting rights in the general meetings of those corporations.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Save as disclosed above, at 31 December 2007, 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 HKSE pursuant to Part XV of the SFO or pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" of the Listing Rules.

SHARE OPTION SCHEME

Pursuant to the terms of 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 the shares of the Company. Movements of the share options granted to the participants pursuant to the Share Option Scheme during the six months ended 31 December 2007 were as follows:

Grantee	Date of grant	Exercise price $	Exercise period	Outstanding at 1 July 2007	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2007
Directors								
Douglas Li	10 February 2003	9.29	10 February 2003 to 16 July 2011	3,000,000 [1]	—	—	—	3,000,000
Patrick Kai-lung Chan	10 February 2003	9.20	2 May 2003 to 1 May 2012	133,500 [2]	—	—	—	133,500
	5 February 2004	9.00	5 February 2005 to 4 February 2014	970,000 [3]	—	—	—	970,000
Employees	5 February 2004	9.00	5 February 2005 to 4 February 2014	6,357,000	—	(979,000)	(193,000)	5,185,000
	1 March 2005	9.05	1 March 2006 to 28 February 2015	193,000	—	—	—	193,000

Notes:

1. The options, in the original number of 5,000,000, 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, in the original number of 200,000, 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 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.

Other than the share options stated above, no share options had been granted by the Company to other participants pursuant to the Share Option Scheme. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the period.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2007, the long positions of persons, other than Directors or chief executive of the Company, being 5% or more in the interest in shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name	Total number of shares	% of shares in issue
Cellular 8 Holdings Limited ("Cellular 8") [1]	314,397,472	54.49%
Sun Hung Kai Properties Limited ("SHKP") [1&2]	328,565,397	56.94%
HSBC International Trustee Limited ("HSBC") [3]	329,285,208	57.07%
Marathon Asset Management Limited	52,610,896	9.11%
Brandes Investment Partners, L.P.	37,383,730	6.47%

Notes:

1. Cellular 8 is a wholly-owned subsidiary of SHKP. By virtue of the SFO, SHKP was deemed to be interested in the 314,397,472 shares in the Company held by Cellular 8.

2. 14,167,925 shares in the Company were held by TFS Development Company Limited, a wholly-owned subsidiary of Fourseas Investments Limited which in turn is a wholly-owned subsidiary of SHKP. By virtue of the SFO, SHKP was therefore also deemed to be interested in such shares in the Company.

3. For the purposes of the SFO, the interest of SHKP noted above against its name (and the interest of each of its subsidiaries noted above) is also attributed to HSBC by reference to the interests in shares which HSBC holds (or deemed to hold) in SHKP. The number of shares noted above against the name of HSBC therefore duplicates the interest of SHKP.

Save as disclosed above, as at 31 December 2007, 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.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2007, the Company repurchased 4,176,500 shares on the HKSE. These repurchased shares were cancelled. Please refer to note 17 of the notes to the interim financial statements for details of the repurchases.

The aggregate price of the repurchased shares (before expenses) in the amount of $35,164,000 has been charged against the retained profits and contributed surplus accounts. A sum equivalent to the nominal value of the repurchased shares amounting to $418,000 has been transferred from share capital to capital redemption reserve.

Save as disclosed above, at no time during the six months ended 31 December 2007 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has been established since 1999 to provide advice and recommendations to the Board. The Audit Committee is currently chaired by Dr Eric Ka-cheung Li, an Independent Non-Executive Director with professional accounting expertise, and the other members are Mr Leung-sing Ng, Mr Eric Fock-kin Gan and Mr Michael Yick-kam Wong, with the majority being independent non-executive directors of the Company. The Committee members possess appropriate business or financial expertise and experience to provide relevant advice and recommendations to the Company.

The Audit Committee held a meeting on 22 February 2008 and reviewed the relevant interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2007. The Committee was satisfied that the accounting polices 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 interim financial statements for the six months ended 31 December 2007 have not been audited but have been reviewed by the Company's external auditors.

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 external auditors before being put forward to the Directors for approval.

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2007, 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 with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. 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.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Group adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") contained in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' transactions in the securities of the Company. Similar code has also been adopted for relevant employees, who may be in possession of unpublished price-sensitive information, in dealing with the Company's securities. Upon specific enquiry, each Director had confirmed that during the six months ended 31 December 2007, they had fully complied with the required standard set out in the Model Code regarding securities transactions and there was no event of non-compliance.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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

Hong Kong, 4 March 2008

As at the date of this report, 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 Michael Yick-kam Wong, Mr Andrew Sing-tak So, Mr Wing-yui Cheung, Mr David Norman Prince and Mr Wing-chung Yung; Independent Non-Executive Directors are Dr Eric Ka-cheung Li, JP, Mr Leung-sing Ng, JP, Mr Xiang-dong Yang and Mr Eric Fock-kin Gan.