

SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2007 / 2008 INTERIM RESULTS ANNOUNCEMENT

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

- Mobile service revenue increased by 10% to \$1,707 million
- Continuing increase in ARPU and stable customer number
- EBITDA registered a 26% growth to \$551 million
- Profit attributable to equity holders increased to \$161 million
- Interim dividend of 28 cents per share

CHAIRMAN'S STATEMENT

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

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).

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.

RESULTS

The directors of the Company are pleased to present the Group's consolidated profit and loss account for the six months ended 31 December 2007 and the consolidated balance sheet as at 31 December 2007 of the Group, all of which are unaudited and condensed, along with selected explanatory notes.

Consolidated profit and loss account

For the six months ended 31 December 2007

	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

Consolidated balance sheet

As at 31 December 2007 and 30 June 2007

	Unaudited 31 December 2007 \$000	Audited 30 June 2007 \$000
	Note	
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Non-current assets		
Fixed assets	1,776,741	1,832,045
Interest in an associate	1,812	1,812
Financial investments	56,381	58,854
Intangible assets	782,524	783,925
Deposits and prepayments – non-current portion	51,539	47,673
	<u>2,668,997</u>	<u>2,724,309</u>
Current assets		
Inventories	106,395	75,066
Financial investments	-	31,340
Trade receivables	11 208,332	179,418
Deposits and prepayments – current portion	140,405	82,078
Other receivables	55,607	31,143
Cash and bank balances	1,637,527	2,316,455
	<u>2,148,266</u>	<u>2,715,500</u>
Current liabilities		
Trade payables	12 114,497	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
	<u>974,701</u>	<u>1,075,139</u>
Net current assets	<u>1,173,565</u>	<u>1,640,361</u>
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
	<u>3,037,463</u>	<u>3,537,661</u>
Net assets	<u>3,037,463</u>	<u>3,537,661</u>
Capital and reserves		
Share capital	57,698	58,018
Reserves	2,940,577	3,452,526
Total equity attributable to equity holders of the Company	<u>2,998,275</u>	<u>3,510,544</u>
Minority interests	39,188	27,117
Total equity	<u>3,037,463</u>	<u>3,537,661</u>
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Notes to the Condensed Consolidated Financial Statements

1 General information

SmarTone Telecommunications Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of 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.

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 \$000	Macau \$000	Elimination \$000	Consolidated \$000
Revenues	<u>1,935,679</u>	<u>136,617</u>	<u>(16,609)</u>	<u>2,055,687</u>
Operating profit	<u>130,214</u>	<u>60,602</u>	<u>-</u>	<u>190,816</u>
Finance income				52,749
Finance costs				<u>(43,240)</u>
Profit before income tax				200,325
Income tax expense				<u>(24,040)</u>
Profit after income tax				<u>176,285</u>

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

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
	<u>43,240</u>	<u>37,955</u>

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
	<u>24,040</u>	<u>6,396</u>

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	<u>161,115</u>	<u>-</u>
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	<u>492,063</u>	<u>-</u>
	<u>648,366</u>	<u>69,935</u>
	<u>809,481</u>	<u>69,935</u>

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 was paid on 19 November 2007 and has 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 Trade receivables

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
	<u>208,332</u>	<u>179,418</u>

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.

12 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
	<u>114,497</u>	<u>154,984</u>

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 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Thursday, 27 March 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2007, the Company repurchased 4,176,500 shares on the Stock Exchange of Hong Kong. These repurchased shares were cancelled. Details of the repurchases were as follows:

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

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

The Audit Committee of the Company has 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 policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the internal control measures adopted by the Group.

The 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 above complies with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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.

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

Hong Kong, 4 March 2008

As at the date of this announcement, the Executive Directors of the Company are Mr Douglas Li and Mr Patrick Kai-lung Chan; Non-Executive Directors are Mr Raymond Ping-luen Kwok, Mr 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.