SmarTone Telecommunications Holdings Limited

(Stock Code: 315)

Interim Report 2008/2009

CONTENTS

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 2008.

Financial Highlights

Service revenue dropped by 0.6%, compared with the same period last year, arising from continuing price competition and a decline in roaming revenue since October 2008. Handset revenue, net of subsidies, dropped by 26% as both average selling price and the number of handsets sold fell. As a result, total revenue declined by 5% to $1,955 million. Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 12% to $482 million. Profit attributable to equity holders and earnings per share amounted to $52 million and 9.2 cents respectively.

Dividend

Given the current uncertainties surrounding the economy and the impact on future profitability, the Board will not be paying an interim dividend and will make a recommendation on dividend payment upon the Company's full year results announcement. The Company's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, remains unchanged.

Business Review

Hong Kong

Service revenue during the period decreased by 0.6% mainly due to continuing price competition, and a decline in roaming revenue as a result of business travel dropping materially after the onset of financial markets turmoil. Against this trend, data revenue grew by 20% and accounted for 27% of total service revenue during the period.

Blended ARPU dropped 3% to $230. Total customer number reached 1,139,000 as of 31 December 2008. Postpaid customers accounted for 70% of the total customer base. Postpaid average churn rate improved slightly to 2.1% from 2.3% in the same period last year.

With advances in technology, wireless is maturing to become a robust and efficient platform to provide telecommunications services spanning the mobile, broadband and fixed-line markets. Leveraging on the capacity of our existing business infrastructure including the HSPA network, distribution channels and business support systems, SmarTone-Vodafone is expanding its broadband and fixed-line services to generate new revenue.

Without compromising our best-in-class service level, the Company has put in stringent cost control measures to contain costs. Such measures include headcount and salary freeze, operational process re-engineering to increase productivity, consolidation of switching centres, more judicious use of advertising media mix, rental reduction and store relocations, energy saving drives and reduction in general office expenses.

For the Hong Kong mobile business, the Company continued to introduce new and improved multimedia services targeted at different customer segments. The number of FoneTV channels was more than doubled from 12 to 26, including Weather Report, Cartoon Network, Live Fashion, and Market Watch. Through FoneTV, customers can stay informed and be entertained anytime, anywhere. Our Bet to Win service was enhanced with In-Play Live which provides real-time football betting information during a game. The Company also introduced the SmarTone-Vodafone Wireless Smart Plug that can turn a smartphone into a modem to connect a laptop to the Internet. A shared data plan for broadband Internet access on both a customer's PC and smartphone was also launched, offering greater convenience and excellent value.

HomePhone+, SmarTone-Vodafone's wireless fixed-line service, has added a fax offering with a choice of standalone and fax duplex, further enhancing customers' connectivity in their homes and offices. Improving on the existing fixed-line fax duplex service in the market, customers are no longer disturbed by ringing from the incoming faxes at inconvenient times. This new function adds further to other unique features of HomePhone+ as well as the convenience of instant plug-and-play experience without the need for installation appointment.

Your Company further extended its leadership in network performance to enhance coverage, speed and capacity. The wireless transmission speed of our network is the fastest in Hong Kong, currently with 14.4Mbps for download and 5.76Mbps for upload. Network speed will be further upgraded to 28Mbps for download by mid-2009, and progressively to 80Mbps before a transition to 4G LTE (Long Term Evolution). The Company is planning to implement 4G LTE on its existing 1800MHz spectrum because of its cost-to-coverage advantage over implementation at 2500/2600MHz and better control over rollout timing. To ensure good performance in an increasingly broadband-connected world, we are migrating to an all-IP network infrastructure including fibre transmission backhaul. Network operating costs and capital expenditure will increase in the short term, but with long term benefits of much lower incremental costs for future business growth.

Macau

To increase our revenue market share, innovative price plans were launched in January 2009, targeting wider segments of the mass consumer market. In the period under review, the Macau economy slowed significantly, adversely impacting both service revenue and profitability.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Prospects

With continuing deterioration in the economic environment, on-going price competition and further decline in roaming revenue from reduced business travel, service revenue is expected to decline further. In addition, higher handset subsidy amortisation and substantially lower interest income will impact on profitability in the second half of the financial year. Costs control measures are in place and will be further strengthened in order to meet the short term challenges while enhancing the long term prospect of the business.

Your Company has built a strong foundation to be the quality provider of total communications services in Hong Kong delivering compelling products and services, superior network performance and unbeatable customer experience. We will continue to innovate and to maintain a high service level in order to provide better value to further attract more higher-spending customers with differentiated multimedia, broadband and fixed-line services. Together with a strong financial position, SmarTone-Vodafone will be able to compete more effectively with propositions better meeting different customers' needs.

Appreciation

During the period, Mr. Thomas Hon-wah Siu was appointed Non-Executive Director of your Company. I would like to welcome Mr. Siu to the Board. I would also like to take this opportunity to express my gratitude to our customers and shareholders for their continuing support, my fellow directors for their guidance as well as our staff for their dedication and hardwork.

Raymond Ping-luen Kwok
Chairman

Hong Kong, 25 February 2009

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

Revenues declined by 5% to $1,955 million (first half of 2007/08: $2,056 million), with service revenue and handset and accessory sales falling by 1% and 26% respectively. Cost of inventories sold and services provided decreased by 13% to $603 million (first half of 2007/08: $690 million) mainly due to a 26% drop in cost of inventories sold. Operating expenses rose by 7%. As a result, earnings before interest, tax, depreciation and amortisation fell by 12% to $482 million (first half of 2007/08: $551 million). After an 8% increase in depreciation, amortisation and loss on disposal, operating profit decreased by 51% to $93 million (first half of 2007/08: $191 million). Finance income reduced by 56%. Finance costs, mainly consisting of accretion expenses in relation to mobile licence fees and asset retirement obligations, fell by 3%. Profit attributable to equity holders of the Company dropped by 68% to $52 million (first half of 2007/08: $161 million).

Revenues declined by $101 million or 5% to $1,955 million (first half of 2007/08: $2,056 million).

- Service revenue fell by $11 million or 1% to $1,696 million (first half of 2007/08: $1,707 million) driven by lower local voice, prepaid and roaming revenue as a result of sustained market competition and weakened economic conditions, offsetting the growth in data service revenue. Data service revenue achieved a strong 20% increase driven by growing adoption of multimedia services.

  Hong Kong blended ARPU fell by 3% to $230 (first half of 2007/08: $238), reflecting ongoing competitive pricing pressures and the drop in roaming usage.

- Handset and accessory sales fell by $90 million or 26% to $259 million (first half of 2007/08: $349 million) as both average unit handset price and the number of hansets sold were lower.

Cost of inventories sold and services provided decreased by $87 million or 13% to $603 million (first half of 2007/08: $690 million). Cost of inventories sold fell by $87 million or 26% to $252 million (first half of 2007/08: $339 million) in line with the drop in handset and accessory sales. Cost of services provided remained stable at $350 million (first half of 2007/08: $350 million).

Operating expenses (excluding depreciation, amortisation and loss on disposal) rose by 7% to $870 million (first half of 2007/08: $815 million). Network operating costs increased by 12% as the Group continued to enhance its network capacity, quality and coverage. The provision of increased bandwidth and migration to all-IP network infrastructure resulted in cost increases during the transition period but an improved cost structure going forward. Sales and marketing expenses dropped by 6% as a result of lower spending in advertising campaigns. Staff costs, rental and utilities, and other operating expenses rose by 7% collectively largely driven by upward cost pressure in the labour and property markets before the financial markets turmoil.

Depreciation and loss on disposal of fixed assets rose by 2% to $229 million (first half of 2007/08: $225 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Handset subsidy amortisation rose by 25% or $25 million to $128 million (first half of 2007/08: $103 million) reflecting the heavy handset subsidies offered to customers in the past 24 months. Handset subsidy capitalised during the period under review remained high at $133 million (first half of 2007/08: $134 million), resulted in unamortised handset subsidy increasing by $4 million to $215 million at 31 December 2008 (30 June 2008: $211 million).

Finance income decreased by 56% or $30 million to $23 million (first half of 2007/08: $53 million) due to the impact of lower average balance of bank deposits and debt securities, and reduced average returns thereon attributable to significantly lower interest rates. Finance costs fell by 3% to $42 million (first half of 2007/08: $43 million) mainly due to lower accretion expenses in respect of asset retirement obligations.

The Macau business was negatively impacted by substantial slowdown in the Macau economy during the six months ended 31 December 2008. Revenues fell by 1% to $135 million (first half of 2007/08: $137 million). Cost of inventories sold and services provided, operating expenses, depreciation and amortisation rose by 13% collectively. As a result, operating profit fell by 19% to $49 million (first half of 2007/08: $61 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 2008. The Group was financed by share capital and internally generated funds during the period under review. The cash resources of the Group remained strong with cash and bank balances (including pledged bank deposits) and investments in held-to-maturity debt securities of $1,394 million at 31 December 2008 (30 June 2008: $1,677 million). As at 31 December 2008 and 30 June 2008, the Group had no bank or other borrowings.

During the six months ended 31 December 2008, the Group's net cash generated from operating activities and interest received amounted to $423 million and $23 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, share repurchases and 2007/08 final dividend.

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 2009 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 2008 and 30 June 2008, 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. Pledged bank deposits amounted to $499 million as at 31 December 2008 (30 June 2008: $333 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 2008 under these performance bonds was $505 million (30 June 2008: $454 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 1,878 full-time employees as at 31 December 2008 (30 June 2008: 1,790), with the majority of them based in Hong Kong. Total staff costs were $221 million for the six months ended 31 December 2008 (first half of 2007/08: $209 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 2008, no share options were granted or exercised; and 440,000 share options were cancelled or lapsed. At 31 December 2008, 8,846,500 share options (30 June 2008: 9,286,500) were outstanding.

DIRECTORS' PROFILE

Raymond Ping-luen KWOK, *Chairman & Non-Executive Director*

Mr. Raymond Kwok has been with the Group since April 1992 and was appointed Director of the Company in October 1996. He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

Mr. Kwok is a Vice-Chairman and Managing Director of Sun Hung Kai Properties Limited ("SHKP") and a Member of its Executive Committee. He is also a Director of Cellular 8 Holdings Limited ("Cellular 8"). Both SHKP and Cellular 8 are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Kwok is also Chairman of SUNeVision Holdings Ltd. (a subsidiary of SHKP), a Non-Executive Director of Transport International Holdings Limited (an associate of SHKP) and USI Holdings Limited, and an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce and Vice-Chairman of the Council of The Chinese University of Hong Kong. Mr. Kwok was previously a Member of the Hong Kong Port Development Council (until 31 December 2008).

Mr. Kwok is also the director of certain subsidiaries of the Company.

Saved as disclosed above, Mr. Kwok (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Kwok and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Kwok is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Kwok received a fee of HK$100,000. Except the above fee, Mr. Kwok did not receive any other emoluments during the said financial year.

Douglas LI, *Executive Director & Chief Executive Officer*

Mr. Douglas Li is Chief Executive Officer of the Group, which he helped founded in 1992. He spent the early part of his career as a Chartered Accountant with KPMG in both London and Hong Kong. He became a corporate finance investment banker with Morgan Grenfell, following which he joined Sun Hung Kai Properties to expand its telecom and other businesses. He left the Group in 1996 to join the Asia private equity business of the Suez Group as Managing Director. Mr. Li rejoined the Group in 2001.

Mr. Li is also the director of certain subsidiaries of the Company.

Saved as disclosed above, Mr. Li (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

The Company and Mr. Li entered into an employment contract dated 31 May 2001 under which Mr. Li has been appointed to act as Executive Director and Chief Executive Officer of the Group with effect from 17 July 2001 with no fixed term of service. He is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to an annual bonus, the computation of which is based on the profitability of the Group.

Mr. Li's appointment as Executive Director is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Li is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings.

For the financial year ended 30 June 2008, Mr. Li received salaries (including allowances and retirement scheme contributions), bonus and director's fee of HK$9,272,000, HK$1,833,000 and HK$80,000 respectively.

DIRECTORS' PROFILE

Patrick Kai-lung CHAN, *Executive Director*

Mr. Patrick Chan was appointed Director of the Group in October 1996. Mr. Chan was the manager of the Strategic Development Department of SHKP before his appointment as Executive Director of the Company in March 2002. Prior to joining SHKP in 1990, he held various positions in the areas of research and investment at leading international banking groups. From December 1994 to May 1996, he was seconded as a full-time member to the Central Policy Unit of the Hong Kong Government. Mr. Chan has over 20 years' experience in finance, investment, planning and investor relations. Mr. Chan holds a Bachelor of Economics (Hon.) degree from the University of Sydney, Australia and a Master of Economics degree from the Australian National University.

Mr. Chan is also the director of certain subsidiaries of the Company.

Saved as disclosed above, Mr. Chan (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

The Company and Mr. Chan entered into an employment contract dated 1 May 2002 under which Mr. Chan has been appointed to act as Executive Director of the Group with effect from 15 May 2002 with no fixed term of service. He is entitled to a basic salary which is subject to review by the Board from time to time with reference to his responsibility and performance. He is also entitled to discretionary bonus, the computation of which is based on his performance and profitability of the Group.

Mr. Chan's appointment as Executive Director is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Chan is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings.

For the financial year ended 30 June 2008, Mr. Chan received salaries (including allowances and retirement scheme contributions), bonus and director's fee of HK$4,154,000, HK$393,000 and HK$80,000 respectively.

Michael Yick-kam WONG, *Non-Executive Director*

Mr. Michael Wong was appointed Director of the Company in October 2001. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong.

Mr. Wong has been an Executive Director of SHKP since 1996 and is a member of Executive Committee of SHKP. He is currently responsible for SHKP's strategic planning, corporate development, infrastructure projects, financial investments and investor relations. Mr. Wong is an Executive Director of SUNeVision Holdings Ltd. and a Non-Executive Director of USI Holdings Limited. Mr. Wong was previously Deputy Chairman and a Non-Executive Director of RoadShow Holdings Limited (resigned on 20 November 2008).

In community service, Mr. Wong is Chairman of the Hong Kong Youth Hostels Association. He is a member of the Steering Committee on Promotion of Volunteer Service and a member of the Steering Committee on Child Development Fund of the Hong Kong Government. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, and a member of the Council of The Open University of Hong Kong.

Mr. Wong is also a member of the Audit Committee of the Company.

Saved as disclosed above, Mr. Wong (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Wong and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Wong is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Wong received a fee of HK$200,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Wong did not receive any other emoluments during the said financial year.

DIRECTORS' PROFILE

Wing-yui CHEUNG, *Non-Executive Director*

Mr. Wing-yui Cheung was appointed Director of the Company in March 2003. Mr. Cheung is a director of a number of other publicly listed companies, namely being non-executive director of Tai Sang Land Development Limited, SUNeVision Holdings Ltd., Tianjin Development Holdings Limited and SRE Group Limited (formerly Shanghai Real Estate Limited), and being independent non-executive director of Hop Hing Group Holdings Limited, Agile Property Holdings Limited and Ping An Insurance (Group) Company of China, Limited. Mr. Cheung previously held directorships in Taifook Securities Group Limited (resigned on 1 October 2007) and Ching Hing (Holdings) Limited (resigned on 25 July 2007).

Mr. Cheung was the Vice-Chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong until January 2006 and was a director of Po Leung Kuk. He is currently a member of the Board of Review (Inland Revenue), co-chairman of The Community Chest Corporate Challenge Organising Committee, a director of the Community Chest, Vice-Chairman of The Open University of Hong Kong and a fellow member of the Institute of Directors. Mr. Cheung received a Bachelor of Commerce degree in accountancy from the University of New South Wales, Australia and is a member of the Australian Society of CPAs. Mr. Cheung has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He was admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

Saved as disclosed above, Mr. Cheung (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Cheung and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Cheung is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Cheung received a fee of HK$80,000. Except the above fee, Mr. Cheung did not receive any other emoluments during the said financial year.

David Norman PRINCE, *Non-Executive Director*

Mr. David Prince was appointed Director of the Company in July 2005. Mr. Prince has over 15 years' experience of operating at board level in an international environment.

Mr. Prince is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK).

He was Group Finance Director of Cable and Wireless plc. until December 2003 and prior to this, spent some 12 years working in the telecommunications industry in Hong Kong, Mainland China and Asia. From 1994 to 2000 he was Finance Director and latterly Deputy Chief Executive Officer of Hong Kong Telecommunications Limited and played a key role in developing this business leading to the sale of the company to PCCW Limited in 2000. He went on to join PCCW Limited as Group Chief Financial Officer primarily focused on the integration of the companies following the acquisition, and arranging for refinancing of the group. In 2002, he left PCCW to join Cable and Wireless as Group Finance Director.

Mr. Prince is currently a non-executive director and chairman of the audit committee for Ark Therapeutics plc. – a UK based specialist healthcare group and a non-executive director and member of the audit committee of Adecco SA which is the global leader in human resources services.

Mr. Prince is also a member of the Nomination Committee of the Company.

Saved as disclosed above, Mr. Prince (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Prince and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Prince is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Prince received a fee of HK$80,000. Except the above fee, Mr. Prince did not receive any other emoluments during the said financial year.

DIRECTORS' PROFILE

Wing-chung YUNG, *Non-Executive Director*

Mr. Wing-chung Yung was appointed Director of the Company in April 2007. Mr. Yung is the Corporate Advisor of SHKP. He is a director of River Trade Terminal Co. Ltd., Hung Kai Finance Company Limited, YATA Limited, Hong Kong Business Aviation Centre Limited and Airport Freight Forwarding Centre Company Limited. Mr. Yung is also Deputy Chairman and a Non-Executive Director of RoadShow Holdings Limited (appointed on 20 November 2008) and an alternate director to Mr. Raymond Ping-luen Kwok of Transport International Holdings Limited. Prior to his joining SHKP in 1995, Mr. Yung had many years of working experience with a U.S. Bank in various managerial positions in Hong Kong and the United States.

Mr. Yung is also a member of the Remuneration Committee of the Company (appointed on 15 July 2008).

Saved as disclosed above, Mr. Yung (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Yung and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Yung is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Yung received a fee of HK$80,000. Except the above fee, Mr. Yung did not receive any other emoluments during the said financial year.

Thomas Hon-wah SIU, *Non-Executive Director*

Mr. Thomas Siu was appointed Director of the Company in July 2008. Mr. Siu is the Managing Director of Wilson Group which is a major transport infrastructure services provider in Hong Kong. Wilson Group is a wholly-owned subsidiary of SHKP. Prior to joining Wilson Group, Mr. Siu had more than 25 years experience in telecommunications and IT sectors. His experience covers finance, business operations and development. Mr. Siu holds a MPhil degree from University of Cambridge and a PhD degree in Information Systems. He is a Certified Public Accountant and is a member of the British Computer Society.

Saved as disclosed above, Mr. Siu (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Siu and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Siu is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. Mr. Siu did not receive any fee or any other emoluments during the financial year ended 30 June 2008.

Eric Ka-cheung LI, JP, *Independent Non-Executive Director*

Dr. Eric Li, GBS, OBE, J.P., LLD, DSocSc., B.A., FCPA (Practising), FCA, FCPA (Aust.), FCIS, was appointed Director of the Company in October 1996. Dr. Li is the senior partner of Li, Tang, Chen & Co., Certified Public Accountants, an independent non-executive director of Transport International Holdings Limited, Wong's International (Holdings) Limited, Hang Seng Bank Limited, China Resources Enterprise Limited, Roadshow Holdings Limited, Bank of Communications Co., Ltd. and Meadville Holdings Limited and a non-executive director of SHKP. Dr. Li previously held directorships in CATIC International Holdings Limited, Sinofert Holdings Limited (formerly Sinochem Hong Kong Holdings Limited) and Strategic Global Investments plc.

Dr. Li is a member of The 11th National Committee of Chinese People's Political Consultative Conference, an advisor to Ministry of Finance on international accounting standards, a convenor cum member of the Financial Reporting Review Panel, a member of the Commission on Strategic Development, a former member of the Legislative Council of Hong Kong and Chairman of its Public Accounts Committee. He was also a past president of the Hong Kong Institute of Certified Public Accountants (formerly Hong Kong Society of Accountants).

Dr. Li is also the chairman of the Remuneration Committee and the Audit Committee of the Company.

Saved as disclosed above, Dr. Li (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Dr. Li and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Dr. Li is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Dr. Li received a fee of HK$200,000 including the fee for acting as the chairman of the Audit Committee of the Company. Except the above fee, Dr. Li did not receive any other emoluments during the said financial year.

DIRECTORS' PROFILE

Leung-sing NG, JP, *Independent Non-Executive Director*

Mr. Leung-sing Ng was appointed Director of the Company in June 1997. Mr. Ng is a member of the board of MTR Corporation Limited, Hong Kong and the Vice Chairman of The Chiyu Banking Corporation Limited. Mr. Ng was previously a member of the managing board of The Kowloon-Canton Railway Corporation, Hong Kong.

Mr. Ng had been appointed as the Chinese Representative of the Sino-British Land Commission and the trustee of Hong Kong Government Land Fund from 1988 to 1997. He was the executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. Mr. Ng is a member of the Corporate Contribution Programme Organisation Committee of the Hong Kong Community Chest since 1992. Moreover, Mr. Ng has been appointed as a member of the Hong Kong Housing Authority since 1996. Mr. Ng was a member of the Legislative Council of Hong Kong from 1996 to 2004.

Mr. Ng has been a director of Bank of China Group Charitable Foundation Limited since 1996, a member of Mandatory Provident Fund Schemes Advisory Committee since 1998, and a member of Admission of Talents Scheme Selection Committee since 1999. In the same year, Mr. Ng was a committee member of Hong Kong Council of Social Services, and a member of The Council & The Court of The Lingnan University. Mr. Ng is also a member of Fisheries Development Loan Fund Advisory Committee since 2001. He was also appointed as the Justice of the Peace in 2001. In 2004, Mr. Ng was awarded the Silver Bauhinia Star by the HKSAR government.

Mr. Ng is also a member of the Remuneration Committee, the Nomination Committee and the Audit Committee of the Company.

Saved as disclosed above, Mr. Ng (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Ng and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Ng is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Ng received a fee of HK$200,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Ng did not receive any other emoluments during the said financial year.

Xiang-dong YANG, *Independent Non-Executive Director*

Mr. Xiang-dong Yang was appointed Director of the Company in December 2003.

Mr. Yang has been Managing Director and Co-Head of Carlyle Asia Partners of The Carlyle Group since 2001. Prior to joining Carlyle, Mr. Yang spent 9 years at Goldman Sachs, where he was a Managing Director, Co-Head of Goldman's private equity investment arm for Asia ex-Japan and a member of its Asia Management Committee.

Mr. Yang serves on the board of China Pacific Insurance (Group) Company Limited and a number of companies in which The Carlyle Group has investments.

Mr. Yang received his B.A. in economics from Harvard University and M.B.A. from Harvard Business School.

Saved as disclosed above, Mr. Yang (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Yang and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Yang is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Yang received a fee of HK$80,000. Except the above fee, Mr. Yang did not receive any other emoluments during the said financial year.

DIRECTORS' PROFILE

Eric Fock-kin GAN, *Independent Non-Executive Director*

Mr. Eric Gan was appointed Director of the Company in December 2005. Mr. Gan is the President and Chief Operating Officer of EMOBILE Limited, the fourth 3G mobile operator in Japan. During the start-up stage of EMOBILE in 2005, Mr. Gan was the Representative Director and Chief Financial Officer of EMOBILE when he was responsible for the equity and debt financing of 390 billion yen for EMOBILE after the fourth 3G license was granted in November 2005. Following the completion of the financing project, EMOBILE has successfully launched the 3G mobile data services on March 2007.

Mr. Gan is also a co-founder of eAccess Limited with Dr. Sachio Semmoto (Founder & Chairman of eAccess Limited, Founder, Chairman & CEO of MOBILE Limited). During the first 3 years after the establishment of eAccess, Mr. Gan served as the Representative Director and Chief Operating Officer from 1999 to 2003. Prior to the IPO of eAccess, Mr. Gan took up the position of Representative Director and Chief Financial Officer from 2003 to 2007. eAccess has achieved the listing of the Tokyo Stock Exchange First Section (TSE1) in 2004, the fastest listing on the TSE1 ever in history. Mr. Gan was also involved in several successful M&A transactions including the acquisitions of Japan Telecom's ADSL (JDSL) business and the American On-line (AOL) business in Japan. Today, Mr. Gan still serves as a Director of the Board of eAccess.

Prior to the establishment of eAccess, Mr. Gan worked as a telecom analyst & Managing Director for Goldman Sachs Japan when he was involved in many telecommunication financing deals in Japan/Asia, including the listing of SmarTone, NTT DoCoMo (one of the world's largest IPOs), NTT equity tranches and many other telecom related IPO and advisory projects.

Mr. Gan was born in Hong Kong and graduated from Imperial College, University of London. Mr. Gan now lives in Japan (since 1990).

Mr. Gan is also the chairman of the Nomination Committee and a member of the Audit Committee of the Company.

Saved as disclosed above, Mr. Gan (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Gan and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Gan is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Gan received a fee of HK$200,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Gan did not receive any other emoluments during the said financial year.

Peter David SULLIVAN, *Independent Non-Executive Director*

Mr. Peter Sullivan was appointed Director of the Company in April 2008. Mr. Sullivan graduated from the University of New South Wales in 1968 with a Bachelor of Science (Physical Education) degree. Mr. Sullivan joined Standard Chartered Bank (Hong Kong) Limited from September 2004 to December 2007 and served as its executive director and chief executive officer prior to his retirement. In addition, Mr. Sullivan held governance responsibility for franchises of the Standard Chartered Group in Japan, Australia, the Philippines and Bohai Bank in Tianjin, China. Mr. Sullivan held a number of other major appointments, including acting as the chairman of the Hong Kong Association of Banks and the British Chamber of Commerce. Mr. Sullivan is currently an independent non-executive director of Techtronic Industries Company Limited, JPMorgan Indian Investment Trust plc., Cenkos Securities plc., Intercontinental Bank (UK) plc. and AXA Asia Pacific Holdings Limited.

Saved as disclosed above, Mr. Sullivan (1) has not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) does not hold any other positions in the Company and its subsidiaries; and (3) does not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Sullivan and there is no fixed term of his service with the Company. His appointment is subject to retirement by rotation and re-election at annual general meetings in accordance with the Bye-laws of the Company and the Listing Rules. Mr. Sullivan is entitled to a director's fee which is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong and Shareholders' approval at annual general meetings. For the financial year ended 30 June 2008, Mr. Sullivan received a fee of HK$20,000. Except the above fee, Mr. Sullivan did not receive any other emoluments during the said financial year.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

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 21 to 42, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2008 and the related condensed consolidated profit and loss account, condensed consolidated statements of changes in equity and cash flows 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, 25 February 2009

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 31 December 2008 $000	2007 $000
Service revenue		**1,696,074**	1,706,514
Handset and accessory sales		**258,560**	349,173
Revenues	4	**1,954,634**	2,055,687
Cost of inventories sold and services provided		**(602,641)**	(689,557)
Network costs		**(363,386)**	(324,951)
Staff costs		**(221,453)**	(209,383)
Sales and marketing expenses		**(125,228)**	(133,813)
Rental and utilities		**(81,936)**	(76,160)
Other operating expenses		**(77,635)**	(70,948)
Depreciation, amortisation and loss on disposal		**(389,490)**	(360,059)
Operating profit		**92,865**	190,816
Finance income	5	**22,994**	52,749
Finance costs	6	**(42,013)**	(43,240)
Profit before income tax	7	**73,846**	200,325
Income tax expense	8	**(9,319)**	(24,040)
Profit after income tax		**64,527**	176,285
Attributable to:			
Equity holders of the Company		**52,336**	161,101
Minority interests		**12,191**	15,184
		64,527	176,285
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**9.2**	27.8
Diluted		**9.2**	27.8
Dividends	10	**111,620**	809,481

The notes on pages 26 to 42 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008 and 30 June 2008
(Expressed in Hong Kong dollars)

	Note	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Non-current assets			
Leasehold land		**16,670**	—
Fixed assets	11	**1,802,619**	1,846,948
Interest in an associate		**1,812**	1,812
Financial investments	12	**392,885**	95,823
Intangible assets	13	**752,769**	780,509
Deposits and prepayments - non-current portion	14	**53,300**	55,275
		3,020,055	2,780,367
Current assets			
Inventories		**69,532**	68,401
Trade receivables	14	**182,057**	201,351
Deposits and prepayments - current portion	14	**174,124**	103,317
Other receivables	14	**50,174**	52,708
Pledged bank deposits		**498,766**	333,159
Cash and cash equivalents		**540,017**	1,303,342
		1,514,670	2,062,278
Current liabilities			
Trade payables	15	**183,211**	161,766
Other payables and accruals		**608,085**	663,110
Current income tax liabilities		**39,919**	64,646
Customers' deposits		**24,350**	26,897
Deferred income		**78,922**	79,788
Mobile licence fee liabilities - current portion		**78,675**	73,500
		1,013,162	1,069,707
Net current assets		**501,508**	992,571
Total assets less current liabilities		**3,521,563**	3,772,938
Non-current liabilities			
Asset retirement obligations		**54,665**	52,687
Mobile licence fee liabilities - non-current portion		**616,087**	656,739
Deferred income tax liabilities		**104,576**	103,960
Net assets		**2,746,235**	2,959,552
Capital and reserves			
Share capital	16	**54,584**	57,312
Reserves		**2,651,547**	2,874,327
Total equity attributable to equity holders of the Company		**2,706,131**	2,931,639
Minority interests		**40,104**	27,913
Total equity		**2,746,235**	2,959,552

The notes on pages 26 to 42 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Net cash generated from operating activities	**422,656**	409,461
Net cash used in investing activities	**(756,822)**	(408,699)
Net cash used in financing activities	**(428,256)**	(694,154)
Net decrease in cash and cash equivalents	**(762,422)**	(693,392)
Effect of foreign exchange rate change	**(903)**	(1,033)
Cash and cash equivalents at 1 July	**1,303,342**	1,992,060
Cash and cash equivalents at 31 December	**540,017**	1,297,635

The notes on pages 26 to 42 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008
(Expressed in Hong Kong dollars)

	Unaudited										
	Attributable to equity holders of the Company										
	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	Total $000	Minority interests $000	Total $000
At 1 July 2007	58,018	270	17,899	2,954	2,349,294	15,705	713	1,065,691	3,510,544	27,117	3,537,661
Revaluation surplus of financial investments	–	–	1,087	–	–	–	–	–	1,087	–	1,087
Currency translation differences	–	–	–	–	–	–	253	–	253	–	253
Net income recognised directly in equity	58,018	270	18,986	2,954	2,349,294	15,705	966	1,065,691	3,511,884	27,117	3,539,001
Profit for the period	–	–	–	–	–	–	–	161,101	161,101	15,184	176,285
Total recognised income and expenses for 2007	58,018	270	18,986	2,954	2,349,294	15,705	966	1,226,792	3,672,985	42,301	3,715,286
Employee share-based compensation	–	–	–	–	–	9	–	–	9	–	9
Repurchase of shares	(418)	–	–	418	(34,746)	–	–	(418)	(35,164)	–	(35,164)
Issue of shares	98	10,642	–	–	–	(1,929)	–	–	8,811	–	8,811
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)	–	(648,366)
At 31 December 2007	57,698	10,912	18,986	3,372	2,314,548	13,785	966	578,008	2,998,275	39,188	3,037,463

	Unaudited										
	Attributable to equity holders of the Company										
	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	Total $000	Minority interests $000	Total $000
At 1 July 2008	57,312	10,912	26,301	3,758	2,285,849	13,797	2,476	531,234	2,931,639	27,913	2,959,552
Revaluation deficit of financial investments	–	–	(16,871)	–	–	–	–	–	(16,871)	–	(16,871)
Currency translation differences	–	–	–	–	–	–	(119)	–	(119)	–	(119)
Net income recognised directly in equity	57,312	10,912	9,430	3,758	2,285,849	13,797	2,357	531,234	2,914,649	27,913	2,942,562
Profit for the period	–	–	–	–	–	–	–	52,336	52,336	12,191	64,527
Total recognised income and expenses for 2008	57,312	10,912	9,430	3,758	2,285,849	13,797	2,357	583,570	2,966,985	40,104	3,007,089
Repurchase of shares	(2,728)	–	–	2,728	(146,506)	–	–	(2,728)	(149,234)	–	(149,234)
Payment of 2008 final dividend	–	–	–	–	–	–	–	(111,620)	(111,620)	–	(111,620)
At 31 December 2008	**54,584**	**10,912**	**9,430**	**6,486**	**2,139,343**	**13,797**	**2,357**	**469,222**	**2,706,131**	**40,104**	**2,746,235**

The notes on pages 26 to 42 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of telecommunications service and the sale of handsets and accessories in Hong Kong and Macau.

The Company is a limited liability company incorporated in Bermuda. The address of its head office and principal place of business is 31/F, Millennium City 2, 378 Kwun Tong Road, Kwun Tong, Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "HKSE").

These unaudited condensed consolidated interim financial information ("Interim Financial Statements") are presented in thousands of units of Hong Kong dollars ($000), unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 25 February 2009.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2008 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2008, as described in those annual financial statements for the year ended 30 June 2008.

Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 30 June 2009. The new standards, amendments to standards and interpretations did not result in material impacts to the Group's financial statements for the year ending 30 June 2009.

HK (IFRIC) - INT 12	Service Concession Arrangements [1]
HK (IFRIC) - INT 13	Customer Loyalty Programmes [2]
HK (IFRIC) - INT 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [1]

[1] Effective for annual periods beginning on or after 1 January 2008.

[2] Effective for annual periods beginning on or after 1 July 2008.

3 Accounting policies *(continued)*

The following new standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's accounting policies beginning on or after 1 July 2009 or later periods but which the Group has not been early adopted.

HKAS 1 (Revised)	Presentation of Financial Statements [2]
HKAS 23 (Revised)	Borrowing Costs [2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidations [2]
HKFRS 1 and HKAS 27 (Revised)	Consolidated and Segment Financial Statements [3]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations [2]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [2]
HK (IFRIC) - INT 15	Agreements for the Construction of Real Estate [2]
HK (IFRIC) - INT 16	Hedges of a Net Investment in a Foreign Operation [1]
HK (IFRIC) - INT 17	Distributions of Non-cash Assets to Owners [3]

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

4 Segment reporting

More than 90% of the Group's revenues and operating profit was attributable to its telecommunications 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:

	Unaudited six months ended 31 December 2008			
	Hong Kong	Macau	Others	Consolidated
	$000	$000	$000	$000
Revenues	1,834,874	135,030	(15,270)	1,954,634
Operating profit/Segment result	43,851	49,014	—	92,865
Finance income				22,994
Finance costs				(42,013)
Profit before income tax				73,846
Income tax expense				(9,319)
Profit after income tax				64,527

	Unaudited six months ended 31 December 2007			
	Hong Kong	Macau	Others	Consolidated
	$000	$000	$000	$000
Revenues	1,935,679	136,617	(16,609)	2,055,687
Operating profit/Segment result	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

5 Finance income

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Interest income from listed debt securities	**7,801**	113
Interest income from deposits with banks and other financial institutions	**14,253**	51,020
Accretion income	**940**	1,616
	22,994	52,749

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

6 Finance costs

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Accretion expenses		
Mobile licence fee liabilities	**40,544**	39,940
Asset retirement obligations	**1,469**	3,298
Other borrowing costs	**—**	2
	42,013	43,240

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

7 Profit before income tax

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

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Cost of inventories sold	**252,371**	339,407
Amortisation		
Handset subsidies	**128,424**	103,093
Mobile licence fees	**32,191**	32,191
Depreciation		
Owned fixed assets	**187,617**	181,529
Leased fixed assets	**38,844**	40,889
Operating lease rentals for land and buildings, transmission sites and leased lines	**330,220**	297,540
Reversal of impairment loss of inventories	**(1,653)**	(2,133)
Loss on disposal of fixed assets	**2,414**	2,357
Net exchange loss	**4,413**	1,414

8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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 condensed consolidated profit and loss account represents:

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Current income tax		
Hong Kong profits tax	**2,828**	8,104
Overseas tax	**5,875**	7,297
Deferred income tax	**616**	8,639
	9,319	24,040

9 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to equity holders of $52,336,000 (2007: $161,101,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 566,025,381 (2007: 578,725,553). The diluted earnings per share is based on 566,025,381 (2007: 579,243,252) shares which is the weighted average number of shares in issue during the period plus the weighted average number of nil (2007: 517,699) shares deemed to be issued if all outstanding options had been exercised.

10 Dividends

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
In respect of the period		
Interim dividend declared of nil (2007: 28 cents) per share	—	161,115
Attributable to prior years paid in the period		
Final dividend of 20 cents (2007: 27 cents) per share	**111,620**	156,303
Special cash dividend of nil (2007: 85 cents) per share	—	492,063
	111,620	648,366
	111,620	809,481

At a meeting held on 28 August 2008, the directors declared a final dividend of 20 cents per share for the year ended 30 June 2008, which was paid on 17 November 2008 and has been reflected as an appropriation of retained profits for the six months ended 31 December 2008.

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2008.

11 Fixed assets

	Unaudited $000
Opening net book amount at 1 July 2008	1,846,948
Additions	184,814
Disposals	(2,682)
Depreciation	(226,461)
Closing net book amount at 31 December 2008	**1,802,619**
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

At 31 December 2008, the net book amount of fixed assets held by the Group under finance leases pursuant to lease out, lease back agreements (note 18(d)) amounted to $85,680,000 (30 June 2008: $124,626,000).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Financial investments

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Available-for-sale financial assets (a)	37,474	55,068
Held-to-maturity debt securities (b)	355,411	40,755
Total non-current financial investments	392,885	95,823

	Unaudited $000
(a) Available-for-sale financial assets	
At 1 July 2008	55,068
Distributions	(723)
Change in fair value	(16,871)
At 31 December 2008	37,474

The available-for-sale financial assets are denominated in US dollars, unlisted (private issuers) and traded on inactive markets.

	Unaudited $000
(b) Held-to-maturity debt securities	
At 1 July 2008	40,755
Addition	314,045
Amortisation	3,005
Exchange differences	(2,394)
At 31 December 2008	355,411

The held-to-maturity debt securities are denominated in US dollars and listed outside Hong Kong.

During the periods ended 31 December 2007 and 2008, no gain or loss arose on the disposal of held-to-maturity debt securities.

13 Intangible assets

	Unaudited		
	Handset subsidies $000	Mobile licence fees $000	Total $000
Opening net book amount at 1 July 2008	**210,626**	**569,883**	**780,509**
Additions	**132,875**	**—**	**132,875**
Amortisation	**(128,424)**	**(32,191)**	**(160,615)**
Closing net book amount at 31 December 2008	**215,077**	**537,692**	**752,769**
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

14 Trade and other receivables

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Trade receivables	**194,711**	212,878
Less: provision for impairment of trade receivables	**(12,654)**	(11,527)
Trade receivables - net	**182,057**	201,351
Deposits and prepayments	**227,424**	158,592
Other receivables	**50,174**	52,708
	459,655	412,651
Less: deposits and prepayments - non-current portion	**(53,300)**	(55,275)
Current portion	**406,355**	357,376

14 Trade and other receivables *(continued)*

The credit periods granted by the Group to its customers generally range from 15 days to 45 days from the date of invoice. An ageing analysis of trade receivables, net of provisions, is as follows:

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Current to 30 days	**153,569**	171,408
31 - 60 days	**19,615**	21,499
61 - 90 days	**5,111**	5,339
Over 90 days	**3,762**	3,105
	182,057	201,351

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 $6,505,000 (2007: $5,866,000) for the impairment of its trade receivables during the six months ended 31 December 2008. The loss has been included in other operating expenses in the condensed consolidated profit and loss account.

15 Trade payables

An ageing analysis of trade payables is as follows:

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Current to 30 days	**128,794**	93,400
31 - 60 days	**31,782**	49,912
61 - 90 days	**13,122**	10,855
Over 90 days	**9,513**	7,599
	183,211	161,766

16 Share capital

	Unaudited Shares of $0.10 each	$000
Authorised:		
At 1 July 2008 and 31 December 2008	1,000,000,000	100,000
Issued and fully paid:		
At 1 July 2008	573,115,928	57,312
Shares repurchased and cancelled (a)	(27,282,000)	(2,728)
At 31 December 2008	545,833,928	54,584

(a) During the six months ended 31 December 2008, the Company repurchased 28,574,000 shares on the HKSE. Of these repurchased shares, 27,282,000 were cancelled prior to 31 December 2008. The total amount paid to acquire these cancelled shares of $149,234,000 was deducted from shareholders' equity.

Details of these repurchased and cancelled are as follows:

Month of repurchase	Number of shares repurchased and cancelled	Price per share Highest	Price per share Lowest	Aggregate price paid $000
July 2008	255,000	$7.67	$7.67	1,956
August 2008	80,000	$7.27	$7.27	581
September 2008	4,202,000	$7.00	$5.25	23,861
October 2008	14,122,000	$5.36	$4.65	71,282
November 2008	3,742,500	$6.27	$5.70	22,635
December 2008	4,880,500	$6.20	$5.70	28,919
	27,282,000			149,234

17 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 2008 are as follows:

			Number of options			
Date granted	Exercise period	Exercise price per share	Outstanding at 1 July 2008	Exercised during the period	Cancelled /Lapsed during the period	**Outstanding at 31 December 2008**
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	5,960,000	–	(440,000)	**5,520,000**
1 March 2005	1 March 2006 to 28 February 2015	$9.05	193,000	–	–	**193,000**
			9,286,500	–	(440,000)	**8,846,500**

18 Commitments and contingent liabilities

(a) Capital commitments

Capital commitments outstanding at 31 December 2008 not provided for in the Interim Financial Statements were as follows:

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Contracted for		
Fixed assets	**229,906**	292,933
Held-to-maturity debt securities	**—**	41,446
Equity securities	**1,821**	3,550
Authorised but not contracted for	**263,884**	420,126
	495,611	758,055

18 Commitments and contingent liabilities *(continued)*

(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 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Land and buildings and transmission sites		
Within one year	**374,983**	391,131
After one year but within five years	**233,248**	271,697
After five years	**17,761**	20,686
	625,992	683,514
Leased lines		
Within one year	**32,778**	34,505
After one year but within five years	**22,582**	27,014
After five years	**1,479**	1,714
	56,839	63,233

18 Commitments and contingent liabilities *(continued)*

(c) Performance bonds

	Unaudited 31 December 2008 $000	Audited 30 June 2008 $000
Hong Kong 3G Licence	**503,108**	452,487
Other	**1,942**	1,942
	505,050	454,429

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 2008, the seventh anniversary of the issue of the 3G Licence and subsequent to the payment of the seventh year spectrum utilisation fee of $70,249,000, the performance bond was revised. The revised bond was for $503,108,000 with 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.

19 Related party transactions

The Group is controlled by Cellular 8 Holdings Ltd, which owns 60.57% of the Company's shares. The remaining 39.43% of the shares are widely held. The ultimate holding company of the Group is Sun Hung Kai Properties Limited ("SHKP"), a company incorporated in Hong Kong.

(a) During the six months ended 31 December 2008, 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.

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Operating lease rentals for land and buildings and transmission sites (i)	**38,351**	33,527
Insurance expenses (ii)	**2,231**	1,842

(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 2008, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled $38,351,000 (2007: $33,527,000).

(ii) Insurance expenses

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. Insurance premiums for the six months ended 31 December 2008 were $2,231,000 (2007: $1,842,000).

(b) At 31 December 2008, 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.

19 Related party transactions *(continued)*

(c) Key management compensation

	Unaudited six months ended 31 December	
	2008	2007
	$000	$000
Salaries and other short-term employee benefits	**17,670**	15,681

(d) The 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:

	Unaudited	Audited
	31 December	30 June
	2008	2008
	$000	$000
Trade receivables (note 14)	**656**	381
Deposits and prepayments (note 14)	**7,715**	5,674
Trade payables (note 15)	**96**	98
Other payables and accruals	**1,321**	1,875

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

INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2008 (2007: 28 cents).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2008, 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

Name of Director	Number of shares held: Other interests	Number of shares held: 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	0.41
Douglas Li	—	—	3,000,000[2]	3,000,000	0.55
Patrick Kai-lung Chan	—	—	1,103,500[2]	1,103,500	0.20

Notes:

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	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	—	1,100,571,895[1]	1,100,646,895	—	1,100,646,895	42.92
Michael Yick-kam Wong	165,904	—	—	165,904	—	165,904	0.01
David Norman Prince	1,000	—	—	1,000	—	1,000	0
Thomas Hon-wah Siu	—	—	7,000[2]	7,000	—	7,000	0
Eric Ka-cheung Li	—	18,000[3]	—	18,000	—	18,000	0

Notes:

1. Of these shares in SHKP, Madam Siu-hing Kwong, Mr. Walter Ping-sheung Kwok, Mr. Thomas Ping-kwong Kwok and Mr. Raymond Ping-luen Kwok were deemed to be interested in 1,077,394,347 shares by virtue of being beneficiaries of certain discretionary trusts, which represented the same interests and were therefore duplicated amongst these four individuals for the purpose of Part XV of the SFO.

2. These shares in SHKP were held jointly by Mr. Thomas Hon-wah Siu and his spouse.

3. These shares were held by a company in which Dr. Eric Ka-cheung Li is the managing director and owned 12.20% of its issued share capital.

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	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

Note:

1. Of these shares in SUNeVision, Madam Siu-hing Kwong, Mr. Walter Ping-sheung Kwok, Mr. Thomas Ping-kwong Kwok and Mr. Raymond Ping-luen Kwok were deemed to be interested in 1,070,000 shares by virtue of being founder or beneficiaries of a certain discretionary trust, which represented the same interests and were therefore duplicated amongst these four individuals for the purpose of Part XV of the SFO.

(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. Madam Siu-hing Kwong, Mr. Walter Ping-sheung Kwok, Mr. Thomas Ping-kwong Kwok and Mr. Raymond Ping-luen Kwok were deemed to be interested in these shares, which represented the same interests and were therefore duplicated amongst these four individuals for the purpose of the SFO. These shares were held by corporations under a certain discretionary trust, in which Madam Siu-hing Kwong, Mr. Walter Ping-sheung Kwok, Mr. Thomas Ping-kwong Kwok and Mr. Raymond Ping-luen Kwok were deemed to be interested by virtue of being founder or beneficiaries for the purpose of Part XV of the SFO.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

Save as disclosed above, at 31 December 2008, 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 2008 are as follows:

Grantee	Date of grant	Exercise price $	Exercise period	Outstanding at 1 July 2008	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2008
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	4,990,000	—	—	(440,000)	4,550,000
	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 2008, 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]	330,638,472	60.57%
Sun Hung Kai Properties Limited ("SHKP") [1&2]	344,806,397	63.17%
HSBC Trustee (C.I.) Limited ("HSBC") [3]	344,806,397	63.17%
Marathon Asset Management	58,313,896	10.68%

Notes:

1. Cellular 8 is a wholly-owned subsidiary of SHKP. By virtue of Part XV of the SFO, SHKP was deemed to be interested in these 330,638,472 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 Part XV of the SFO, SHKP was therefore also deemed to be interested in such shares in the Company.

3. For the purpose of Part XV of the SFO, the interest of SHKP noted above against its name (and the interest of each of its subsidiaries noted above) was also attributed to HSBC by reference to the interests in shares which HSBC held (or was 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 2008, 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 2008, the Company repurchased 28,574,000 shares of the Company on the HKSE. Of these repurchased shares, 27,282,000 were cancelled prior to 31 December 2008 and the balance 1,292,000 were cancelled subsequently in January 2009. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest $	Price per share Lowest $	Aggregate price paid $
July 2008	255,000	7.67	7.67	1,956,000
August 2008	80,000	7.27	7.27	581,000
September 2008	4,202,000	7.00	5.25	23,861,000
October 2008	14,122,000	5.36	4.65	71,282,000
November 2008	3,742,500	6.27	5.70	22,635,000
December 2008	6,172,500	6.20	5.62	36,405,000
	28,574,000			156,720,000

Save as disclosed above, at no time during the six months ended 31 December 2008 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 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 18 February 2009 and reviewed the interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2008. 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 2008 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.

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2008, 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.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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 2008, 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.

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

Hong Kong, 25 February 2009

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. Wing-yui Cheung, Mr. David Norman Prince, Mr. Wing-chung Yung and Mr. Thomas Hon-wah Siu; Independent Non-Executive Directors are Dr. Eric Ka-cheung Li, JP, Mr. Leung sing Ng, JP, Mr. Xiang-dong Yang, Mr. Eric Fock-kin Gan and Mr. Peter David Sullivan.