SmarTone Telecommunications Holdings Limited

(Stock Code: 315)

Interim Report | 2009/2010

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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 2009.

Financial Highlights

Total revenue decreased by 7% to $1,810 million, compared with the same period last year, reflecting lower handset and accessory sales, and a 2% decline in service revenue. Earnings before interest, tax, depreciation, amortisation, impairment loss and loss on disposal ("EBITDA") improved by 7% to $517 million as a result of the reduction in interconnection charges and cost control measures. Profit attributable to equity holders increased by 112% to $111 million. Earnings per share increased by 125% to 20.7 cents.

The Group's results included two non-recurring items comprising of accelerated depreciation and impairment loss in respect of fixed assets at its Macau operations; and deferred income tax credit. Excluding the impact of these two items, operating profit grew by 49% to $139 million and profit attributable to equity holders of the Company grew by 69% to $88 million.

Dividend

In line with the Company's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, your Board proposes an interim dividend of 17 cents per share.

Business Review

Hong Kong

Service revenue recovered from the low levels in the second half of 2008/09, but remained 2% below the same period last year. Local service revenue was stable as the growth in data service revenue more than offset the decline in local tariffs. Data service revenue increased by 23% year-on-year and accounted for 33% of service revenue during the period. Roaming revenue recovered from the low point in the second half of 2008/09, but was still below the levels before the onset of global financial crisis in the same period last year.

Handset and accessory sales, net of handset subsidies, dropped by 42%, as a result of lower volume of handsets sold and lower average selling price. This reflected reduced local market demand for new handsets and higher handset subsidies.

Total customer number increased by 8% to 1,231,000 as of 31 December 2009, of which just over 70% were postpaid customers. Postpaid churn rate improved to 1.5% from 2.0% in the same period last year. Blended ARPU improved to $214, compared to $210 in the previous six months, but was still lower than $230 for the same period last year.

SmarTone-Vodafone's strategy is to create and deliver unbeatable customer experience through outstanding network performance, compelling and differentiated services and unrivalled customer care.

Our HSPA+ network is already 28.8 Mbps ready, and consistently measures better, in terms of speed and stability, than other networks in Hong Kong. Our backhaul is now fully upgraded to all-IP on fibre, enabling us to increase capacity quickly and more efficiently as bandwidth demand increases. Your Company's preparation and investment has proved timely in accommodating comfortably the dramatic increase in smartphone, mobile and wireless fixed broadband usage, while still maintaining our quality benchmarks. Our superior network performance is now increasingly recognised by customers and the wider market.

Continuing our focus in offering unique and demonstrably superior services and applications, SmarTone-Vodafone exclusively enables customers to watch videos on demand while browsing the most popular websites in Hong Kong, including Facebook, Apple Daily, on.cc, Yahoo!, Tudou and many others. With our proprietary technology, customers can watch videos on YouTube in a much higher resolution than using the same smartphones on other networks. A range of exclusive applications and widgets focusing on local customers' needs, completes a strong and unique line-up of propositions for smartphone users.

Your Company leads the market in providing workshops for customers, helping them to make the most of their phones and services, with more than 150 sessions every month. Also helping customers to choose more easily what they want from various application stores, our Apps Select application provides weekly selections of the latest and most popular apps that are most relevant to local needs and tastes, complete with bi-lingual descriptions and links to the relevant app stores for instant download.

SmarTone-Vodafone commenced selling iPhones in late January 2010 and market response has been encouraging.

In the broadband market, SmarTone-Vodafone took the lead in disclosing the typical usable broadband speeds likely to be experienced by customers, instead of the maximum network speed which is of little relevance to them. Such transparency should increase public confidence and encourage greater wireless broadband adoption.

Offering unrivalled convenience, ease of use and performance, SmarTone-Vodafone's innovative wireless fixed services have made encouraging progress in the fixed voice and broadband markets. This new level of plug-and-play simplicity, requiring no installation or wiring, as well as flexible placement in the home, has resonated well with our customers.

Macau

Revenue and profit declined in the period as a result of the weak economy. SmarTone Macau was awarded a 3G licence in September 2009 and 3G services are expected to be launched in 2010.

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

Prospects

Despite the recent economic recovery, business environment for the second half of the financial year is expected to remain challenging. Competition in the local market could result in further lowering of tariffs and more aggressive handset subsidies. Growth in data service revenue should continue. Roaming revenue is recovering but is still likely to be lower than the levels prior to the financial markets turmoil.

Your Company will maintain its leadership in network performance by continuing to invest in network upgrades for higher speed and capacity. Network speeds will increase to 42 Mbps in 2010, paving the way for 80 Mbps and even higher speeds with the implementation of 4G LTE.

SmarTone-Vodafone continues to innovate and develop new service propositions in voice, broadband and multimedia & applications to meet increasing customer expectation for a better experience. With its brand's growing appeal to demanding and higher-paying customers, and making use of its existing business infrastructure including the HSPA+ network, distribution channels and business support systems, SmarTone-Vodafone will pursue opportunities in both the mobile and fixed markets.

Appreciation

During the period, Mr. Michael Yick-kam Wong resigned as Non-Executive Director and Member of Audit Committee. The Board would like to take this opportunity to thank Mr. Wong for his valuable contributions to the Company over the past years. Mr. Alfred Wing-kit Tsim has been appointed as Non-Executive Director and Member of Audit Committee of the Company. I would like to welcome Mr. Tsim 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 hard work.

Raymond Ping-luen Kwok
Chairman

Hong Kong, 3 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

Service revenue declined by 2% to $1,659 million (first half of 2008/09: $1,696 million) while cost of services provided decreased by 18% to $288 million (first half of 2008/09: $350 million). Handset and accessory sales fell by 42% whereas cost of inventories sold dropped by 39%. Operating expenses reduced by 2%. As a result, earnings before interest, tax, depreciation, amortisation, impairment loss and loss on disposal ("EBITDA") increased by 7% to $517 million (first half of 2008/09: $482 million). Depreciation, amortisation, impairment loss and loss on disposal increased by 10% to $429 million (first half of 2008/09: $389 million), including accelerated depreciation and impairment loss of fixed assets totalled $51 million (first half of 2008/09: nil). As a result, operating profit fell by 6% to $87 million (first half of 2008/09: $93 million). Finance income fell by 31% to $16 million (first half of 2008/09: $23 million). The Group recognised deferred tax assets of $61 million (first half of 2008/09: nil), comprising a net amount of $55 million related to certain previously unrecognised deferred tax assets recognised upon the restructuring of business operations in Hong Kong for ongoing cost savings, and an amount of $6 million related to accelerated depreciation and impairment loss of fixed assets. This resulted in an income tax credit of $46 million (first half of 2008/09: income tax expense of $9 million). Profit attributable to equity holders of the Company grew by 112% to $111 million (first half of 2008/09: $52 million).

There were two non-recurring items, comprising of accelerated depreciation and impairment loss of fixed assets, and deferred income tax credit. Excluding the impact of these two items, operating profit grew by 49% to $139 million (first half of 2008/09: $93 million) whereas profit attributable to equity holders of the Company grew by 69% to $88 million (first half of 2008/09: $52 million).

Revenues declined by $145 million or 7% to $1,810 million (first half of 2008/09: $1,955 million).

- Service revenue declined by $37 million or 2% to $1,659 million (first half of 2008/09: $1,696 million) due to lower roaming revenue, offsetting the growth in local service revenue. The continued downward pressure on roaming tariffs and reduction in business travel since late 2008 amidst the global economic downturn had a material negative impact on roaming revenue. The increase in local service revenue was driven by higher data service revenue, offsetting the drop in postpaid voice and prepaid revenue.

  Data service revenue grew strongly by 23% as a result of the increasing popularity of smartphones and higher penetration of mobile and fixed broadband services.

  Hong Kong blended ARPU fell by 7% to $214 (first half of 2008/09: $230), reflecting continued downward pressure on local tariffs and lower roaming revenue.

- Handset and accessory sales fell by $108 million or 42% to $151 million (first half of 2008/09: $259 million) attributable to reduced sales volume and lower average unit selling price resulted from keen market competition.

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Cost of inventories sold and services provided decreased by $161 million or 27% to $442 million (first half of 2008/09: $603 million). Cost of inventories sold fell by $98 million or 39% to $154 million (first half of 2008/09: $252 million) broadly in line with the fall in handset and accessory sales. Cost of services provided decreased by $63 million or 18% to $288 million (first half of 2008/09: $350 million) mainly due to lower fixed-mobile interconnection charge ("FMIC") and roaming costs. As disclosed in note 19 to the condensed consolidated interim financial statements, FMIC was not provided for since 27 April 2009 upon withdrawal of the regulatory guidance on FMIC by the Office of the Telecommunications Authority of Hong Kong.

Operating expenses, excluding depreciation, amortisation, impairment loss and loss on disposal, fell by 2% to $851 million (first half of 2008/09: $870 million). Network operating costs increased by 3% as the Group continued to improve on network capacity, quality and coverage. The upgrade to a full all-IP network infrastructure resulted in cost increases during the transition period but an improved cost structure going forward. With lower spending on advertising campaigns, sales and marketing expenses dropped by 8%. Staff costs, rental and utilities, and other operating expenses fell by 5% collectively as a result of the Group's cost saving measures.

Depreciation, impairment loss and loss on disposal increased by 19% to $273 million (first half of 2008/09: $229 million), including accelerated depreciation and impairment loss of fixed assets totalled $51 million (first half of 2008/09: nil) for the impending early retirement of certain 2G mobile network equipment of Macau operations upon the change of sole network solution provider for the launch of 3G mobile network and replacement of 2G mobile network.

Handset subsidy amortisation fell by 4% to $123 million (first half of 2008/09: $128 million). Mobile licence fee amortisation remained broadly stable at $34 million (first half of 2008/09: $32 million).

Finance income decreased by 31% or $7 million to $16 million (first half of 2008/09: $23 million) as interest rates plummeted. Finance costs remained broadly stable at $43 million (first half of 2008/09: $42 million). Finance costs, comprising of the deemed interest on mobile licence fee liabilities and asset retirement obligations, were not attributable to bank or other borrowings.

The results of Macau operations were adversely affected by economic slowdown and the non-recurring accelerated depreciation and impairment loss of fixed assets totalled $51 million (first half of 2008/09: nil). Revenues fell by 17% to $112 million (first half of 2008/09: $135 million). Cost of inventories sold and services provided, and operating expenses decreased by 8% collectively. Depreciation, amortisation, impairment loss and loss on disposal increased by 377% to $65 million (first half of 2008/09: $14 million). As a result, Macau operations recorded an operating loss of $19 million (first half of 2008/09: operating profit of $49 million). Excluding the impact of the non-recurring items, comprised of accelerated depreciation and impairment loss of fixed assets, operating profit declined by 35% to $32 million (first half of 2008/09: $49 million).

Capital structure, liquidity and financial resources

There had been no major changes to the Group's capital structure during the period ended 31 December 2009. The Group was financed by share capital and internally generated funds during the period. 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 $1,409 million at 31 December 2009 (30 June 2009: $1,411 million). As at 31 December 2009, the Group had no bank or other borrowings.

During the period ended 31 December 2009, the Group's net cash generated from operating activities and interest received amounted to $504 million and $14 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 2008/09 final dividend.

During the period ended 31 December 2009, the Company repurchased 6,651,500 shares of the Company at an aggregate price of $38 million on The Stock Exchange of Hong Kong Limited. The highest and lowest prices per share were $6.55 and $5.12 respectively. Of these repurchased shares, 6,098,000 shares were cancelled prior to 31 December 2009 and the balance of 553,500 shares were cancelled subsequently in January 2010.

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 2010 with internal cash resources and short-term bank borrowings.

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 in 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.

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 $354 million as at 31 December 2009 (30 June 2009: $389 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Contingent assets and liabilities

Fixed-mobile interconnection charge

As at 31 December 2009, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $90 million (30 June 2009: $24 million) and $61 million (30 June 2009: $16 million) respectively as disclosed in note 19 to the condensed consolidated interim financial statements.

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 2009 under these performance bonds was $558 million (30 June 2009: $505 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 1,781 full-time employees as at 31 December 2009 (30 June 2009: 1,861), with the majority of them based in Hong Kong. Total staff costs were $219 million for the period ended 31 December 2009 (first half of 2008/09: $221 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 period ended 31 December 2009, no share options were granted or exercised; and 97,000 share options were cancelled or lapsed. At 31 December 2009, 8,749,500 share options (30 June 2009: 8,846,500) 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 a Member of the Hong Kong Port Development Council.

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

For the financial year ended 30 June 2009, 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.

DIRECTORS' PROFILE

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.

For the financial year ended 30 June 2009, Mr. Li received salaries (including allowances and retirement scheme contributions), bonus and director's fee of HK$9,272,000, HK$3,443,000 and HK$80,000 respectively.

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 Sun Hung Kai Properties Limited ("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.

For the financial year ended 30 June 2009, Mr. Chan received salaries (including allowances and retirement scheme contributions), bonus and director's fee of HK$4,154,000, HK$314,000 and HK$80,000 respectively.

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 and Agile Property Holdings Limited. Mr. Cheung previously held directorships in Taifook Securities Group Limited (resigned on 1 October 2007), Ching Hing (Holdings) Limited (resigned on 25 July 2007) and Ping An Insurance (Group) Company of China, Limited (resigned on 3 June 2009).

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), a director of the Community Chest, Deputy Chairman of The Open University of Hong Kong and a Deputy Chairman of the Hong Kong 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.

For the financial year ended 30 June 2009, 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.

DIRECTORS' PROFILE

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 until it was acquired by PCCW in 2000. He went on to join PCCW plc. as Group Chief Financial Officer primarily focused on the integration of the companies following the acquisition. In 2002, he left PCCW to join Cable and Wireless as Group Finance Director. Prior to his time in Hong Kong he held senior management roles for Cable and Wireless in the USA and Europe. His early career was spent in the Gas, Oil and Electronic industries within Europe and the USA.

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 engaged by Sun Hung Kai Real Estate Agency Ltd. (a company within the Sun Hung Kai Properties Group) as a Consultant under a 12 month contract effective from 18 December 2008.

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

For the financial year ended 30 June 2009, 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.

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 Sun Hung Kai Properties Limited ("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 and an alternate director to Mr. Raymond Ping-luen Kwok ("Mr. Kwok") of Transport International Holdings Limited. He has been appointed as a Non-Executive Director and an alternate director to Mr. Kwok of USI Holdings Limited with effect from 24 February 2010. 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.

For the financial year ended 30 June 2009, 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 Sun Hung Kai Properties Limited. 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.

For the financial year ended 30 June 2009, Mr. Siu received a fee of HK$80,000. Except the above fee, Mr. Siu did not receive any other emoluments during the said financial year.

Alfred Wing-kit TSIM, *Non-Executive Director*

Mr. Alfred Tsim was appointed Director of the Company in November 2009. Mr. Tsim is an Executive Director and the Chief Executive Officer of SUNeVision Holdings Ltd. ("SUNeVision"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. SUNeVision is a subsidiary of Sun Hung Kai Properties Limited, the controlling shareholder of the Company. Prior to joining SUNeVision in February 2000, Mr. Tsim worked with international accounting firms, financial institution and major telecommunication operators in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom, CPA Australia, CMA Canada and The Institute of Chartered Accountants in England and Wales. Mr. Tsim holds a Bachelor of Arts degree from the City University of Hong Kong, a Master of Business Administration degree from The University of Sydney, a Master of Laws degree from the University of Wolvehampton and a Diploma in Management Accounting from The Chinese University of Hong Kong.

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

Mr. Tsim did not receive any fee or any other emoluments during the financial year ended 30 June 2009.

DIRECTORS' PROFILE

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. Dr. Li was a non-executive director of Sun Hung Kai Properties Limited ("SHKP") and has been re-designated as an independent non-executive director of SHKP with effect from 19 March 2009. 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.

For the financial year ended 30 June 2009, 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.

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 Hong Kong Deputy to the 10th and 11th National People's Congress, P.R.C., and the Vice Chairman of The Chiyu Banking Corporation Limited. Mr. Ng is the Chairman of Bank of China (Hong Kong) Trustees Limited in August 2009, he was the General Manager of Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009. Mr. Ng was appointed a member of the board of MTR Corporation Limited, Hong Kong in December 2007. He 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 1994, 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.

For the financial year ended 30 June 2009, 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.

DIRECTORS' PROFILE

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.

For the financial year ended 30 June 2009, 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.

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 EMOBILE 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.

For the financial year ended 30 June 2009, 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 D 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 worked for Citibank for 16 years before joining Standard Chartered Bank in 1994. In 2004 he was appointed as the CEO and Executive Director of Standard Chartered Bank Hong Kong Ltd. where he also had Governance responsibility for Australia, the Philippines, Japan and the bank's joint venture with Bohai Bank in China before retiring in March 2008. Mr. Sullivan held a number of other major positions including Chairman of the Hong Kong Association of Banks and the British Chamber of Commerce as well as being a member of the Exchange Fund Advisory Committee. Mr. Sullivan is also an independent non-executive director of Techtronic Industries Limited, J P Morgan India Investment Trust plc., AXA Asia Pacific Holdings Ltd. and was recently appointed Chairman of Cenkos Securities plc. Mr. Sullivan was an independent non-executive director of Intercontinental Bank (UK) plc. (resigned on 29 August 2009).

For the financial year ended 30 June 2009, Mr. Sullivan received a fee of HK$80,000. Except the above fee, Mr. Sullivan did not receive any other emoluments during the said financial year.

DIRECTORS' PROFILE

Notes:

Saved as disclosed in the Directors' respective biographical details under this section, the Directors (1) have not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; (2) do not hold any other positions in the Company and its subsidiaries; and (3) do not have any other relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

No service contracts have been signed between the Company and the Directors (except Executive Directors) and there is no fixed term of their service with the Company. Their appointments are 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. They are entitled to directors' fees which are determined by the Board under the authority granted by shareholders at annual general meetings. The fees are subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Company and Mr. Douglas Li, Executive Director, 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 determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Company and Mr. Patrick Chan, Executive Director, 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 determined by the Board under the authority granted by shareholders at annual general meetings. The fee is subject to annual assessment based on prevailing market rate of directors' fees for companies listed in Hong Kong.

The Directors' interests in shares of the Company, if any, within the meaning of Part XV of the Securities and Futures Ordinance as at 31 December 2009 are disclosed in "Directors' and chief executive's interests" section on pages 45 to 48 of this Interim Report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 20 to 44, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2009, and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity 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, 3 March 2010

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2009
(Expressed in Hong Kong dollars)

		Unaudited six months ended 31 December	
		2009	2008
	Note	**$000**	$000
Service revenue		**1,658,682**	1,696,074
Handset and accessory sales		**150,877**	258,560
Revenues	4	**1,809,559**	1,954,634
Cost of inventories sold and services provided		**(442,099)**	(602,641)
Network costs		**(374,277)**	(363,386)
Staff costs		**(219,403)**	(221,453)
Sales and marketing expenses		**(115,101)**	(125,228)
Rental and utilities		**(78,241)**	(81,936)
Other operating expenses		**(63,881)**	(77,635)
Depreciation, amortisation, impairment loss and loss on disposal		**(429,059)**	(389,490)
Operating profit		**87,498**	92,865
Finance income	5	**15,906**	22,994
Finance costs	6	**(43,173)**	(42,013)
Profit before income tax	7	**60,231**	73,846
Income tax credit/(expense)	8	**46,072**	(9,319)
Profit after income tax		**106,303**	64,527
Attributable to:			
Equity holders of the Company		**111,167**	52,336
Minority interests		**(4,864)**	12,191
		106,303	64,527
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**20.7**	9.2
Diluted		**20.7**	9.2
Dividends	10	**132,936**	111,620

The notes on pages 26 to 44 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2009	2008
	$000	$000
Profit for the period	**106,303**	64,527
Other comprehensive income:		
Fair value gain/(loss) on financial investments, net of tax	**510**	(16,871)
Currency translation differences	**162**	(119)
Other comprehensive income/(expense) for the period, net of tax	**672**	(16,990)
Total comprehensive income for the period	**106,975**	47,537
Total comprehensive income attributable to:		
Equity holders of the Company	**111,839**	35,346
Minority interests	**(4,864)**	12,191
	106,975	47,537

The notes on pages 26 to 44 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2009 and 30 June 2009
(Expressed in Hong Kong dollars)

	Note	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000 (restated)
Non-current assets			
Leasehold land		16,068	16,362
Fixed assets	11	1,793,801	1,844,639
Interest in an associate		3	3
Financial investments – non-current portion	12	702,803	390,507
Intangible assets	13	711,362	701,790
Deposits and prepayments – non-current portion	14	86,180	93,682
		3,310,217	3,046,983
Current assets			
Inventories		62,892	75,182
Financial investments – current portion	12	75,491	—
Trade receivables	14	172,592	168,759
Deposits and prepayments – current portion	14	139,819	130,695
Other receivables	14	24,463	25,798
Pledged bank deposits		354,427	388,626
Cash and cash equivalents		313,348	668,271
		1,143,032	1,457,331
Current liabilities			
Trade payables	15	187,523	148,077
Other payables and accruals		612,922	627,593
Current income tax liabilities		16,591	48,920
Customers' deposits		28,996	26,702
Deferred income		86,962	81,811
Mobile licence fee liabilities – current portion		88,609	83,290
		1,021,603	1,016,393
Net current assets		121,429	440,938
Total assets less current liabilities		3,431,646	3,487,921
Non-current liabilities			
Asset retirement obligations		55,853	55,353
Mobile licence fee liabilities – non-current portion		626,179	652,260
Deferred income tax liabilities	16	37,335	97,650
Net assets		2,712,279	2,682,658
Capital and reserves			
Share capital	17	53,164	53,774
Reserves		2,630,469	2,595,374
Total equity attributable to equity holders of the Company		2,683,633	2,649,148
Minority interests		28,646	33,510
Total equity		2,712,279	2,682,658

The notes on pages 26 to 44 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2009
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2009	2008
	$000	$000
Net cash generated from operating activities	**504,216**	422,656
Net cash used in investing activities	**(816,033)**	(756,822)
Net cash used in financing activities	**(43,114)**	(428,256)
Net decrease in cash and cash equivalents	**(354,931)**	(762,422)
Effect of foreign exchange rate change	**8**	(903)
Cash and cash equivalents at 1 July	**668,271**	1,303,342
Cash and cash equivalents at 31 December	**313,348**	540,017

The notes on pages 26 to 44 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 2009
(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 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
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	52,336	52,336	12,191	64,527
Other comprehensive income:											
Fair value loss on financial investments, net of tax	–	–	(16,871)	–	–	–	–	–	(16,871)	–	(16,871)
Currency translation differences	–	–	–	–	–	–	(119)	–	(119)	–	(119)
Total comprehensive income for the period ended 31 December 2008	–	–	(16,871)	–	–	–	(119)	52,336	35,346	12,191	47,537
Transactions with owners											
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)
	(2,728)	–	–	2,728	(146,506)	–	–	(114,348)	(260,854)	–	(260,854)
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

	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 2009	53,774	10,912	8,182	7,296	2,093,653	13,797	2,367	459,167	2,649,148	33,510	2,682,658
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	111,167	111,167	(4,864)	106,303
Other comprehensive income:											
Fair value gain on financial investments, net of tax	–	–	510	–	–	–	–	–	510	–	510
Currency translation differences	–	–	–	–	–	–	162	–	162	–	162
Total comprehensive income for the period ended 31 December 2009	–	–	510	–	–	–	162	111,167	111,839	(4,864)	106,975
Transactions with owners											
Repurchase of shares	(610)	–	–	610	(33,725)	–	–	(610)	(34,335)	–	(34,335)
Payment of 2009 final dividend	–	–	–	–	–	–	–	(43,019)	(43,019)	–	(43,019)
	(610)	–	–	610	(33,725)	–	–	(43,629)	(77,354)	–	(77,354)
At 31 December 2009	**53,164**	**10,912**	**8,692**	**7,906**	**2,059,928**	**13,797**	**2,529**	**526,705**	**2,683,633**	**28,646**	**2,712,279**

The notes on pages 26 to 44 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") is principally engaged in the provision of telecommunications services 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 (the "Interim Financial Statements") are presented in thousands of units of HK dollars ($000), unless otherwise stated. The Interim Financial Statements have been approved for issue by the board of directors on 3 March 2010.

2 Basis of preparation

The Interim Financial Statements for the six months ended 31 December 2009 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 2009 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 2009, as described in those annual financial statements for the year ended 30 June 2009.

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

3 Accounting policies *(continued)*

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 30 June 2010. The following new standards, amendments to standards and interpretations are relevant to the Group's operations but did not result in material impacts to the Group's financial statements for the year ending 30 June 2010.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 7 (Amendment)	Financial Instruments – Fair Value Measurements and Liquidity Risk of Financial Instruments [1]
HKFRS 8	Operating Segments [1]
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners [2]
HK (IFRIC) – INT 18	Transfer of Assets from Customers [2]

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

Apart from the above, a number of improvements and minor amendments to HKFRSs have also been issued by the Hong Kong Institute of Certified Public Accountants and are effective for the accounting period ended 31 December 2009. However, they have no significant impact on the Interim Financial Statements.

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 2010 or later periods and are relevant to the Group's operations but which the Group has not been early adopted.

HKAS 1 (Amendment)	Presentation of Financial Statements [1]
HKAS 7 (Amendment)	Statement of Cash Flows [1]
HKAS 36 (Amendment)	Impairment of Assets [1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement [1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction [2]
HKFRS 8 (Amendment)	Operating Segments [1]
HKFRS 9	Financial Instruments [3]

1 Effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2013.

4 Segment information

The chief operating decision-maker (the "CODM") has been identified as the Group's senior executive management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The CODM considers the business from a geographic perspective. The CODM measures the performance of its segments based on earnings before interest, tax, depreciation, amortisation, impairment loss and loss on disposal ("EBITDA") and operating profit.

An analysis of the Group's segment information by geographical segment is set out as follows:

(a) Segment results

	Unaudited six months ended 31 December 2009			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
Revenues	1,709,602	111,909	(11,952)	1,809,559
EBITDA	471,075	45,482	—	516,557
Depreciation, amortisation, impairment loss and loss on disposal (Note)	(364,150)	(64,909)	—	(429,059)
Operating profit/(loss)	106,925	(19,427)	—	87,498

	Unaudited six months ended 31 December 2008			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
Revenues	1,834,874	135,030	(15,270)	1,954,634
EBITDA	419,723	62,632	—	482,355
Depreciation, amortisation, impairment loss and loss on disposal	(375,872)	(13,618)	—	(389,490)
Operating profit	43,851	49,014	—	92,865

Note: Included accelerated depreciation of $40,472,000 and impairment loss of fixed assets of $10,700,000 for Macau operations recognised as a result of the impending early retirement of certain 2G mobile network equipment, following the change of sole network solution provider for the launch of 3G mobile network and replacement of 2G mobile network.

4 Segment information *(continued)*

(b) Segment assets

	Hong Kong $000	Macau $000	Unallocated $000	Consolidated $000
At 31 December 2009 (Unaudited)	**3,549,685**	**125,267**	**778,297**	**4,453,249**
At 30 June 2009 (Audited)	3,957,625	156,179	390,510	4,504,314

5 Finance income

	Unaudited six months ended 31 December	
	2009	2008
	$000	$000
Interest income from listed debt securities	**13,435**	7,801
Interest income from unlisted debt securities	**1,672**	—
Interest income from bank deposits	**728**	14,253
Accretion income	**71**	940
	15,906	22,994

Accretion income represented 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	
	2009	2008
	$000	$000
Accretion expenses		
Mobile licence fee liabilities	**41,896**	40,544
Asset retirement obligations	**1,277**	1,469
	43,173	42,013

Accretion expenses represented 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	
	2009	2008
	$000	$000
		(restated)
Cost of inventories sold	**149,657**	254,024
Impairment loss/(reversal of impairment loss) of inventories	**4,799**	(1,653)
Operating lease rentals for land and buildings, transmission sites and leased lines	**336,984**	330,220
Amortisation		
Handset subsidies	**122,755**	128,424
Mobile licence fees	**33,646**	32,191
Leasehold land	**317**	—
Depreciation		
Owned fixed assets	**220,994**	187,617
Leased fixed assets	**38,727**	38,844
Impairment loss of fixed assets	**10,700**	—
Loss on disposal of fixed assets	**1,920**	2,414
Net exchange (gain)/loss	**(120)**	4,413

8 Income tax credit/(expense)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 credit/(expense) recognised in the condensed consolidated profit and loss account represents:

	Unaudited six months ended 31 December	
	2009	2008
	$000	$000
Current income tax		
Hong Kong profits tax	**(9,938)**	(2,828)
Overseas tax	**(4,305)**	(5,875)
Deferred income tax (note 16)	**60,315**	(616)
	46,072	(9,319)

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 $111,167,000 (2008: $52,336,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 537,167,239 (2008: 566,025,381). The diluted earnings per share is based on 537,167,239 (2008: 566,025,381) shares which is the weighted average number of shares in issue during the period plus the weighted average number of nil (2008: nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

10 Dividends

	Unaudited six months ended 31 December	
	2009	2008
	$000	$000
In respect of the period		
Interim dividend declared of 17 cents (2008: nil) per share	**89,917**	—
Attributable to prior years paid in the period		
Final dividend of 8 cents (2008: 20 cents) per share	**43,019**	111,620
	132,936	111,620

At a meeting held on 3 March 2010, the directors declared an interim dividend of 17 cents per share for the year ending 30 June 2010. 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 2010.

At a meeting held on 2 September 2009, the directors declared a final dividend of 8 cents per share for the year ended 30 June 2009, which were paid on 16 November 2009 and have been reflected as an appropriation of retained profits for the six months ended 31 December 2009.

The interim dividend declared is calculated based on the number of shares in issue at the date of approval of the Interim Financial Statements.

11 Fixed assets

	Unaudited $000
Opening net book amount at 1 July 2009	1,844,639
Additions	222,048
Disposals	(2,604)
Exchange differences	139
Depreciation	(259,721)
Impairment loss	(10,700)
Closing net book amount at 31 December 2009	**1,793,801**
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

At 31 December 2009, the net book amount of fixed assets held by the Group under finance leases amounted to $7,789,000 (30 June 2009: $46,735,000).

12 Financial investments

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000
Available-for-sale financial assets (a)	**36,736**	36,226
Held-to-maturity debt securities (b)	**741,558**	354,281
	778,294	390,507
Less: Held-to-maturity debt securities maturing within 1 year of the balance sheet date included under current assets	**(75,491)**	—
Total non-current financial investments	**702,803**	390,507

12 Financial investments *(continued)*

(a) Available-for-sale financial assets

	Unaudited $000
At 1 July 2009	36,226
Change in fair value	510
At 31 December 2009	**36,736**

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

(b) Held-to-maturity debt securities

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000
Listed outside Hong Kong	**662,164**	354,281
Unlisted	**79,394**	—
	741,558	354,281

	Unaudited $000
At 1 July 2009	354,281
Additions	386,202
Amortisation	645
Exchange differences	430
At 31 December 2009	**741,558**

The held-to-maturity debt securities are denominated in US dollars.

During the periods ended 31 December 2008 and 2009, 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 2009	196,290	505,500	701,790
Additions	130,354	35,619	165,973
Amortisation	(122,755)	(33,646)	(156,401)
Closing net book amount at 31 December 2009	**203,889**	**507,473**	**711,362**
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

14 Trade and other receivables

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000 (restated)
Trade receivables	**185,301**	181,574
Less: provision for impairment of trade receivables	**(12,709)**	(12,815)
Trade receivables – net	**172,592**	168,759
Deposits and prepayments	**225,999**	224,377
Other receivables	**24,463**	25,798
	423,054	418,934
Less: deposits and prepayments – non-current portion	**(86,180)**	(93,682)
Current portion	**336,874**	325,252

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 2009 $000	Audited 30 June 2009 $000
Current to 30 days	152,070	146,988
31 – 60 days	13,986	14,075
61 – 90 days	3,251	4,312
Over 90 days	3,285	3,384
	172,592	168,759

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 $6,303,000 (2008: $6,505,000) for the impairment of its trade receivables during the six months ended 31 December 2009. 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 2009 $000	Audited 30 June 2009 $000
Current to 30 days	85,391	101,227
31 – 60 days	71,647	30,081
61 – 90 days	22,419	3,103
Over 90 days	8,066	13,666
	187,523	148,077

16 Deferred income tax

Deferred income tax for the Group's temporary differences arising from operations in Hong Kong and overseas is calculated at 16.5% (2008: 16.5%) and the appropriate current tax rates ruling in the relevant countries respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, as shown in the condensed consolidated balance sheet are as follows:

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000
Deferred income tax liabilities	**37,335**	97,650

The movements in the deferred income tax liabilities in relation to accelerated tax allowances are as follows:

	Unaudited $000
At 1 July 2009	97,650
Recognition of previously unrecognised deferred tax assets (i)	(55,315)
Recognition of deferred tax assets in respect of fixed assets pending early retirement (ii)	(6,141)
Other	1,141
Recognised in the consolidated profit and loss account (note 8)	(60,315)
At 31 December 2009	**37,335**

Notes:

(i) The net amount of $55,315,000 related to certain previously unrecognised deferred tax assets in respect of temporary differences arising from intangible assets, fixed assets and mobile licence fee liabilities, which were recognised upon the restructuring of business operations in Hong Kong when such deferred tax assets became recognisable.

(ii) The amount of $6,141,000 of deferred tax assets related to temporary differences arising from fixed assets as a result of the impending early retirement of certain 2G mobile network equipment for Macau operations.

16 Deferred income tax *(continued)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group has not recognised deferred income tax assets of $13,294,000 (30 June 2009: $9,437,000) in respect of tax losses of $80,567,000 (30 June 2009: $57,192,000). The tax losses do not expire under current tax legislation.

17 Share capital

	Unaudited	
	Shares of $0.10 each	$000
Authorised:		
At 1 July 2009 and 31 December 2009	1,000,000,000	100,000
Issued and fully paid:		
At 1 July 2009	537,737,428	53,774
Shares repurchased and cancelled	(6,098,000)	(610)
At 31 December 2009	531,639,428	53,164

During the six months ended 31 December 2009, the Company repurchased 6,651,500 shares on the HKSE. Of these repurchased shares, 6,098,000 were cancelled prior to 31 December 2009. The total amount paid to acquire these cancelled shares of $34,335,000 was deducted from shareholders' equity.

Month of repurchase	Number of shares repurchased and cancelled	Price per share Highest	Price per share Lowest	Aggregate price paid $000
December 2009	6,098,000	$6.40	$5.12	34,335

18 Employee share option scheme

Movements of the share options granted to the participants pursuant to the Company's share option scheme during the six months ended 31 December 2009 are as follows:

			Number of options			
Date granted	Exercise period	Exercise price per share	Outstanding at 1 July 2009	Exercised during the period	Cancelled/ Lapsed during the period	**Outstanding at 31 December 2009**
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	5,520,000	—	(97,000)	**5,423,000**
1 March 2005	1 March 2006 to 28 February 2015	$9.05	193,000	—	—	**193,000**
			8,846,500	—	(97,000)	**8,749,500**

19 Other contingent assets and liabilities

The Office of the Telecommunications Authority ("OFTA") of Hong Kong withdrew the regulatory guidance on fixed-mobile interconnection charge ("FMIC") on 27 April 2009. Prior to 27 April 2009, FMIC was subject to a regulatory guidance in favour of the Mobile Party's Network Pay ("MPNP") model. Under MPNP, interconnection charge is payable by a mobile network operator ("MNO") to the interconnecting fixed network operator ("FNO") for telephony traffic irrespective of whether the call is from a fixed line to a mobile phone, or from a mobile phone to a fixed line. The de-regulation on 27 April 2009 removed the asymmetry which was contrary to fair competition as MNOs were effectively subsidising FNOs. From 27 April 2009, interconnection charge for fixed-mobile interconnection was to be settled by commercial agreements between fixed and mobile operators without any ex ante regulatory intervention.

Upon the withdrawal of MPNP and termination of the MPNP-based interconnection agreement with all FNOs in Hong Kong on 27 April 2009, the Group adopts the Calling Party's Network Pay ("CPNP") principle which is a fair and reasonable FMIC regime, as interconnection charge is payable by the call originating network. CPNP is the commonly accepted international practice in most advanced economies with open and competitive markets. With any-to-any connectivity in place ensuring no disruption to interconnection, the Group is in the process of negotiating commercial terms for interconnection with all FNOs in Hong Kong. If the Group fails to agree with any FNO on the commercial terms after a prolonged period of time, either the Group or the FNO may request the Telecommunications Authority to determine the level of FMIC under Section 36A of the Telecommunications Ordinance (Cap 106).

19 Other contingent assets and liabilities *(continued)*

The traffic between the Group's mobile network and other fixed networks is slightly imbalanced, with higher volume of fixed-to-mobile calls than mobile-to-fixed calls. Moreover, mobile termination rate is either higher than or equal to fixed termination rate in most countries adopting CPNP. In Hong Kong, Long Run Average Incremental Cost ("LRAIC") is the adopted cost model for the calculation of FMIC. It is therefore likely that, under the CPNP and LRAIC principles, interconnection income from FNOs will exceed interconnection charge payable to FNOs.

For the six months ended 31 December 2009, the Group issued invoices with a total amount of $65,991,000 (2008: nil) to the interconnecting FNOs for telephony traffic originated from their fixed networks to the Group's mobile network. The FNOs rejected these invoices in writing on the ground that the commercial terms for interconnection had not been agreed upon.

For the six months ended 31 December 2009, the Group received invoices with a total amount of $45,440,000 (2008: nil) from certain interconnecting FNOs for telephony traffic delivered. The Group rejected these invoices in writing on the ground that the commercial terms for interconnection had not been agreed upon.

No income or charge in respect of fixed-mobile interconnection has been recognised for the period from 27 April 2009 to 31 December 2009 since it is impracticable to estimate the amount or timing of such income and charge. As at 31 December 2009, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $90,142,000 (30 June 2009: $24,151,000) and $61,356,000 (30 June 2009: $15,916,000) respectively.

20 Commitments and contingent liabilities

(a) Capital commitments

Capital commitments outstanding at 31 December 2009 not provided for in the Interim Financial Statements were as follows:

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000
Contracted for		
Fixed assets	**90,274**	94,529
Equity securities	**1,823**	1,821
Authorised but not contracted for	**272,531**	543,867
	364,628	640,217

20 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 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000
Land and buildings and transmission sites		
Within 1 year	**347,140**	369,757
After 1 year but within 5 years	**191,899**	213,564
After 5 years	**13,195**	14,699
	552,234	598,020
Leased lines		
Within 1 year	**78,260**	54,123
After 1 year but within 5 years	**224,818**	99,342
After 5 years	**243,126**	96,607
	546,204	250,072

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Commitments and contingent liabilities *(continued)*

(c) Performance bonds

	Unaudited 31 December 2009 $000	Audited 30 June 2009 $000
Hong Kong 3G spectrum utilisation fee	**553,730**	503,108
Other	**4,078**	2,136
	557,808	505,244

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 a subsidiary of the Company.

(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.

21 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 62.19% of the Company's shares as at 31 December 2009. The remaining 37.81% 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 2009, the Group had significant transactions with certain subsidiaries and associates 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	
	2009	2008
	$000	$000
Operating lease rentals for land and buildings and transmission sites (i)	**38,415**	38,351
Insurance expenses (ii)	**2,326**	2,231

(i) Operating lease rentals for land and buildings and transmission sites

Certain subsidiaries and associates of SHKP have leased premises to the Group for use as offices, retail stores 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 2009, rental and licence fees paid and payable to subsidiaries and associates of SHKP totalled $38,415,000 (2008: $38,351,000).

(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 2009 were $2,326,000 (2008: $2,231,000).

21 Related party transactions *(continued)*

(b) At 31 December 2009, the Group had an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

(c) Key management compensation

	Unaudited six months ended 31 December	
	2009	2008
	$000	$000
Salaries, bonuses and other short-term employee benefits	**12,623**	17,670

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

	Unaudited	Audited
	31 December	30 June
	2009	2009
	$000	$000
Trade receivables (note 14)	**581**	878
Deposits and prepayments (note 14)	**5,395**	5,836
Trade payables (note 15)	**3,159**	105
Other payables and accruals	**2,418**	864

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

22 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

INTERIM DIVIDEND

The directors declared an interim dividend of 17 cents per share for the six months ended 31 December 2009 (2008: nil) to shareholders whose names appear in the Register of Members of the Company on 31 March 2010. It is expected that the interim dividend warrants will be despatched to shareholders on or about 16 April 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 29 March 2010 to Wednesday, 31 March 2010, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlements to the aforesaid interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 26 March 2010.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2009, 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:

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

	Number of shares held				
Name of Director	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Raymond Ping-luen Kwok	2,237,767[1]	2,237,767	—	2,237,767	0.42
Douglas Li	—	—	3,000,000[2]	3,000,000	0.56
Patrick Kai-lung Chan	—	—	1,103,500[2]	1,103,500	0.21

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".

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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

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

	Number of shares held						
Name of Director	Personal interests (held as beneficial owner)	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	—	1,100,600,695 [1]	1,100,675,695	—	1,100,675,695	42.92
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	—	—	4,000 [3]	4,000	—	4,000	0

Notes:

1. Mr. Raymond Ping-luen Kwok was deemed to be interested in 1,077,423,147 shares in SHKP by virtue of being a beneficiary of certain discretionary trusts 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 in SHKP were held by the spouse of Dr. Eric Ka-cheung Li.

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	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	—	1,742,500[1]	1,742,500	—	1,742,500	0.08

Note:

1. Mr. Raymond Ping-luen Kwok was deemed to be interested in 1,070,000 shares in SUNeVision by virtue of being a beneficiary of a certain discretionary trust 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. Mr. Raymond Ping-luen Kwok was deemed to be interested in these shares by virtue of being a beneficiary of a certain discretionay trust 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 2009, 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 2009 are as follows:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding at 1 July 2009	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2009
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 February2004	$9.00	5 February 2005 to 4 February 2014	4,550,000[3]	—	—	(97,000)	4,453,000
	1 March 2005	$9.05	1 March 2006 to 28 February 2015	193,000[4]	—	—	—	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.

4. The options can be exercised up to one-third from 1 March 2006, up to two-third from 1 March 2007 and in whole from 1 March 2008.

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 2009, 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	62.19
Sun Hung Kai Properties Limited ("SHKP")[1&2]	344,806,397	64.85
HSBC Trustee (C.I.) Limited ("HSBC")[3]	344,806,397	64.85
Marathon Asset Management LLP	64,432,849	12.11
Brandes Investment Partners, L.P.	37,894,330	7.12

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

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 2009, no other parties had registered as having an interest of 5% or more in the shares or underlying shares of the Company or having short positions as recorded in the register kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2009, the Company repurchased 6,651,500 shares of the Company on the HKSE. Of these repurchased shares, 6,098,000 shares were cancelled prior to 31 December 2009 and the balance of 553,500 shares were cancelled subsequently in January 2010. 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
		$	$	$
December 2009	6,651,500	6.55	5.12	37,898,000

Save as disclosed above, at no time during the six months ended 31 December 2009 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. Alfred Wing-kit Tsim, 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 24 February 2010 and reviewed the interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2009. 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 2009 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 Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2009, 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, except for the following deviations:

Code Provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term. 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.

Code Provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Raymond Ping-luen Kwok, was unable to attend the annual general meeting of the Company held on 6 November 2009 due to his other business engagement. Dr. Eric Ka-cheung Li, an independent non-executive director of the Company, took the chair pursuant to the bye-laws of the Company.

The Board 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 2009, 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, 3 March 2010

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. Wing-yui Cheung, Mr. David Norman Prince, Mr. Wing-chung Yung, Mr. Thomas Hon-wah Siu and Mr. Alfred Wing-kit Tsim; 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.