SmarTone Telecommunications Holdings Limited

Stock Code : 0315

Interim Report **2010 / 2011**

CONTENTS

CHAIRMAN'S STATEMENT

(Financial figures are expressed in Hong Kong dollars)

I am pleased to report the results of the Group for the six months ended 31 December 2010.

Financial Highlights

The Group achieved substantial improvements in financial results in the period under review with strong growth in service revenue, driven by increase in both customer number and ARPU. The rate of growth in the period under review, in respect of revenue, EBITDA and net profit, exceeded the preceding six months, continuing the accelerating trend since the first half of the financial year FY09/10.

Total revenue increased by 52% to $2,759 million, compared with the same period last year, with a 29% growth in service revenue. EBITDA increased by 78% to $921 million. Earnings before interest and tax ("EBIT") was $409 million compared with $87 million in the same period last year. Interim profit attributable to equity holders, at $321 million, exceeded full year FY09/10 profit. Interim earnings per share increased to 61.6 cents, compared with 20.7 cents last year.

Dividend

In line with the Company's dividend policy of full distribution of profit attributable to equity holders excluding extraordinary items, your Board declares an interim dividend of 62 cents per share.

Proposed Bonus Issue

Due to the recent surge in the price of the shares of the Company, trading value per board lot has increased substantially. The Directors propose a bonus issue of 1 bonus share for every 1 existing share held. The Directors believe that the Bonus Issue will reduce trading value per board lot of the shares, thereby increasing trading liquidity of the shares as well as likely to enlarge the Company's shareholders' base. Full details of the Bonus Issue are set out in a separate announcement of the Company dated 23 February 2011 which is published on the websites of the Company and the Stock Exchange.

Business Review

Hong Kong

SmarTone-Vodafone achieved strong growth in both customer number and ARPU, compared with same period last year, with accelerating growth rates in the past three half-years. The results reflected SmarTone-Vodafone's increased competitiveness through successful execution of its strategy, with leadership in network performance, proprietary services and customer care. This improvement has been achieved amidst fierce market conditions in Hong Kong throughout that time.

Customer number increased by 17% to 1.44 million, of which over 70% were postpaid. Average postpaid churn rate improved to 1.3% from 1.5% in the same period last year. Blended ARPU increased by 12% to $241, driven principally by data services. Postpaid ARPU registered an even bigger increase of 16%.

As a result, service revenue in the first half of FY10/11 grew by 30%, compared to same period in FY09/10. Data service revenue increased by 81%, and represents 46% of service revenue, driven by increasing customer adoption of data services with smartphones, mobile broadband including tablet computers, and wireless fixed broadband.

SmarTone-Vodafone's superior network performance, in terms of availability, stability and speed, is increasingly recognised in the market. We continue to invest in know-how and resources to constantly enhance the network for optimal wireless broadband and voice performance. Upgrade to a new generation of multi-mode multi-band base stations is well under way, anticipating the rollout of LTE at the appropriate time.

Customer subscription to SmarTone-Vodafone's proprietary services, including *X-Power*, FoneTV, and Latest News have risen substantially. For example, *X-Power* enables customers to enjoy more of the Internet than on all other networks - a unique proposition widely adopted by our smart device customers. SmarTone-Vodafone will continue to innovate and develop proprietary services and applications in order to appeal to our targeted customer segments.

Improvements to customer care are being made across all touch-points, powered by our proprietary customer relationship management system which will enable us to increasingly provide more personalised customer care.

Macau

SmarTone Macau launched 3G service in July 2010 with its latest 3G/HSPA network, offering unique and compelling multimedia services that Macau consumers have never seen before. Market response has been encouraging.

Prospects

Your Company's long-held strategy in providing unbeatable and more valuable experiences is gaining customer and wider market recognition. This strategy and its successful execution have enhanced the Company's competitiveness and its appeal to an increasing number of customers who appreciate its service. Innovation and operational excellence will continue to be a key focus.

Consumers are increasingly familiar with, and have become comfortable with, the ever expanding plethora of data-driven services and applications which will drive usage. Your Company is well positioned to benefit from this trend. Additionally, your Company is successfully leveraging on its proprietary service innovations with each wave of industry development, like smartphones, wireless broadband, and an increasing variety of smart devices, to gain revenue market share.

Your Company maintains a robust balance sheet, permitting flexibility in meeting all conceivable challenges and enabling it to capture new opportunities, bringing value to both customers and shareholders.

Appreciation

During the period, Mr. Peter David Sullivan resigned as Independent Non-Executive Director of your Company. The Board would like to take this opportunity to thank Mr. Sullivan for his valuable contributions to the Company over the past years. Mr. John Anthony Miller has been appointed as Non-Executive Director. I would like to welcome Mr. Miller 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, 23 February 2011

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

Review of financial results

During the period under review, the Group reported strong revenue growth with increase in both customer number and ARPU across all business lines. There had been increasing momentum over the past 3 half-year periods in raising service revenue, EBITDA and net profit. Net profit for the period exceeded that for whole of the previous financial year. The encouraging results showed that the Group's long held proposition of unbeatable and more valuable experiences had gained traction in the market place.

Service revenue grew by 29% to $2,145 million (first half of 2009/10: $1,659 million). EBITDA increased by 78% to $921 million (first half of 2009/10: $517 million). Profit attributable to equity holders of the Company surged by 188% to $321 million (first half of 2009/10: $111 million), 9% higher than the full year results of 2009/10.

Revenues rose by $949 million or 52% to $2,759 million (first half of 2009/10: $1,810 million), with service revenue and device sales increasing by $486 million and $463 million respectively.

- Service revenue rose by $486 million or 29% to $2,145 million (first half of 2009/10: $1,659 million) driven by strong growth in both customer number and ARPU. Data service, outbound roaming, wireless fixed and prepaid revenue all grew strongly, offsetting the decline in inbound roaming revenue.

  Despite a very competitive market in Hong Kong, the Group achieved a 17% growth in its Hong Kong customer base. The Hong Kong blended ARPU rose by 12% to $241 (first half of 2009/10: $214) attributable to increasing subscriptions to high price point data bundled plans by both new and existing customers. The growth momentum in customer base and ARPU continued.

- Handset and accessory sales rose by $463 million or 307% to $614 million (first half of 2009/10: $151 million) attributable to higher sales volume and average unit selling price.

Cost of inventories sold and services provided rose by 96% to $866 million (first half of 2009/10: $442 million). Cost of inventories sold rose by 269% to $569 million (first half of 2009/10: $154 million) whereas cost of services provided rose by 3% to $297 million (first half of 2009/10: $288 million).

Operating expenses, excluding depreciation, amortisation, impairment loss and loss on disposal, rose by $121 million or 14% to $972 million (first half of 2009/10: $851 million). The rise in operating expenses was scaling less than the growth in service revenue. Network costs rose by 2% as the Group continued to enhance its network capacity, quality and coverage. Staff costs grew by 15% as a result of a higher provision for staff performance bonus and a moderate increase in headcount. Sales and marketing expenses increased by 46% due to higher marketing costs for a series of marketing campaigns, and higher sales commissions in line with higher customer acquisitions. Other operating expenses, including rental and utilities, and other operating expenses rose by 18% driven by cost increases to support the increase in business volume.

Depreciation, impairment loss and loss on disposal fell by 14% to $233 million (first half of 2009/10: $273 million) amid the recognition of accelerated depreciation and impairment loss of fixed assets of $51 million collectively in the first half of 2009/10 for the Macau operations.

Handset subsidy amortisation rose by $119 million to $242 million (first half of 2009/10: $123 million) due to substantial increase in customer acquisitions using subsidised handsets. Mobile licence fee amortisation rose by $2 million to $36 million (first half of 2009/10: $34 million).

Finance income rose by $2 million to $18 million (first half of 2009/10: $16 million) due to higher interest income from debt securities. Finance costs, comprising of accretion expenses or deemed interest on asset retirement obligations and mobile licence fee liabilities, were not attributable to bank or other borrowings. Finance costs rose by $3 million to $46 million (first half of 2009/10: $43 million).

Income tax expense amounted to $57 million (first half of 2009/10: income tax credit of $46 million).

Macau operations reported an operating profit of $16 million (first half of 2009/10: operating loss of $19 million). Revenues rose by 18% to $132 million (first half of 2009/10: $112 million) driven by customer growth and higher inbound roaming revenue. Cost of inventories sold and services provided rose by 34% whereas operating expenses rose by 61%, reflecting a new cost structure since the launch of 3G services in July 2010. EBITDA fell by 32% to $31 million (first half of 2009/10: $45 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 2010. The Group was financed by share capital and internally generated funds during the period. The Group's cash resources remained strong with cash and bank balances (including pledged bank deposits) and investments in held-to-maturity debt securities of $1,576 million as at 31 December 2010 (30 June 2010: $1,441 million). As at 31 December 2010, the Group had no bank or other borrowings.

The Group's current liabilities exceeded its current assets by $69 million as at 31 December 2010, with a substantial increase in customer prepayments and deposits included in current liabilities. The significant growth in subscriptions of handset bundled plans resulted in corresponding increases in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding the non-refundable customer prepayments of $444 million (30 June 2010: $181 million) included in current liabilities, the Group would have net current assets of $375 million as at 31 December 2010 (30 June 2010: $447 million).

During the period ended 31 December 2010, the Group's net cash generated from operating activities and interest received amounted to $1,617 million and $22 million respectively. The Group's major outflows of funds during the period were payments for the purchase of fixed assets, handset subsidies, mobile licence fees, share repurchases and 2009/10 final dividend.

During the period ended 31 December 2010, the Company repurchased 17,302,500 shares of the Company at an aggregate price of $179 million on The Stock Exchange of Hong Kong Limited. The highest and lowest prices per share were $10.68 and $8.50 respectively. These repurchased shares were cancelled during the period.

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 2011 with internal cash resources and short-term bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

(Financial figures are expressed in Hong Kong dollars)

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 $357 million as at 31 December 2010 (30 June 2010: $340 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 for 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 gain or loss other than from its United States dollar denominated bank deposits and debt securities. The Group does not currently undertake any foreign exchange hedging.

Contingent assets and liabilities

Fixed-mobile interconnection charge

As at 31 December 2010, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $220 million (30 June 2010: $153 million) and $152 million (30 June 2010: $105 million) respectively as disclosed in note 18 to these interim financial statements.

Performance bonds

Certain banks, on the Group's behalf, had 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 as at 31 December 2010 under these performance bonds was $608 million (30 June 2010: $558 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 1,929 full-time employees as at 31 December 2010 (30 June 2010: 1,782), with the majority of them based in Hong Kong. Total staff costs were $253 million for the period ended 31 December 2010 (first half of 2009/10: $219 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 individual employee's performance. 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. 1,289,500 share options were exercised, and no share options were granted, cancelled or lapsed during the period ended 31 December 2010. 7,315,000 (30 June 2010: 8,604,500) share options were outstanding as at 31 December 2010.

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") and TFS Development Company Limited ("TFS"). SHKP, Cellular 8 and TFS are the 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 Wing Tai Properties 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 is also the director of certain subsidiaries of the Company.

For the financial year ended 30 June 2010, Mr. Kwok received a fee of HK$100,000. Except for the above fee, Mr. Kwok did not receive any other emoluments during the said financial year.

Douglas LI, *Executive Director & Chief Executive Officer*

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

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

For the financial year ended 30 June 2010, Mr. Li received salaries (including allowances and retirement scheme contributions), bonus and director's fee of HK$9,272,000, HK$1,155,000 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 2010, Mr. Chan received salaries (including allowances and retirement scheme contributions) and director's fee of HK$4,154,000 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 and past Deputy Chairman of the Hong Kong Institute of Directors. He is currently a member of the Board of Review (Inland Revenue), a director of the Community Chest and Deputy Chairman of The Open University of Hong Kong. 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 2010, 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 a Consultant of Sun Hung Kai Real Estate Agency Ltd. (a company within the Sun Hung Kai Properties Group).

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

For the financial year ended 30 June 2010, 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 of Transport International Holdings Limited. He has been appointed as a Non-Executive Director and an alternate director to Mr. Raymond Ping-luen Kwok of Wing Tai Properties 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 2010, 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 ("SHKP"). Prior to joining Wilson Group, Mr. Siu had more than 25 years experience in telecommunications and IT sectors. His experience covers finance, business operations and development. On 7 May 2010, Mr. Siu was appointed a Non-Executive Director of SUNeVision Holdings Ltd. (a subsidiary of SHKP).

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 2010, 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 Wolverhampton, United Kingdom, 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.

For the financial year ended 30 June 2010, Mr. Tsim received a fee of HK$100,000 including the fee for acting as a member of the Audit Committee of the Company. Except the above fee, Mr. Tsim did not receive any other emoluments during the said financial year.

John Anthony MILLER, *Non-Executive Director*

Mr. John Anthony Miller, SBS, OBE, was appointed Director of the Company in November 2010. Mr. Miller has been a Director of Transport International Holdings Limited and The Kowloon Motor Bus Company (1933) Limited since 1 March 2008, and a Director of RoadShow Holdings Limited since 20 March 2008. He is also Chairman of Hong Kong Business Aviation Centre Limited, a partly-owned subsidiary of Sun Hung Kai Properties Limited. Mr. Miller retired from the Civil Service in February 2007 as Permanent Representative of the Hong Kong Special Administrative Region of China to the World Trade Organisation in Geneva. Key positions held over a career spanning 35 years prior to Mr. Miller's retirement include Permanent Secretary for Financial Services and the Treasury (2002-2004), Director of Housing and Chief Executive of the Housing Authority (1996-2002), Director-General of Trade (1993-1996), Director of Marine (1991-1993), Information Coordinator in the Chief Secretary's Office (1989-1991) and Private Secretary to the Governor (1979-1982). Mr. Miller holds an MPA degree from Harvard University and a BA degree from London University.

Mr. Miller did not receive any fee or any emoluments during the financial year ended 30 June 2010.

DIRECTORS' PROFILE

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

Dr. Eric Li, GBS, OBE, JP, 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. Meadville Holdings Limited had withdrawn its listing status with The Stock Exchange of Hong Kong Limited with effect from 19 April 2010. 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 2010, 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., the Chairman of Bank of China (Hong Kong) Trustees Limited, the Vice Chairman of The Chiyu Banking Corporation Limited and a director of Bank of China Group Charitable Foundation Limited. Mr. Ng was the General Manager of Bank-wide Operation Department of Bank of China (Hong Kong) Limited from August 2005 to July 2009, the executive director and general manager of The China and South Sea Bank Limited, Hong Kong from 1990 to 1998. Mr. Ng has been appointed a member of the board of Management of the Chinese Permanent Cemeteries since June 2009 and a member of the Board of MTR Corporation Limited, Hong Kong since 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 a member of the Corporate Contribution Programme Organisation Committee of the Hong Kong Community Chest from 1992 to 1996 and a member of the Hong Kong Housing Authority from 1996 to 2004. Mr. Ng was also a member of the Legislative Council of Hong Kong from 1996 to 2004 and a member of The Court of The Lingnan University since 1999. Mr. Ng was appointed as the Justice of the Peace in 2001, and was awarded the Silver Bauhinia Star by the HKSAR government in 2004.

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 2010, Mr. Ng received a fee of HK$200,000 including the fee for acting as member of the Audit Committee of the Company. Except the above fee, Mr. Ng did not receive any other emoluments during the said financial year.

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

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

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

Mr. Yang serves on the board of China Pacific Insurance (Group) Company Limited.

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 2010, 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 2010, 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.

DIRECTORS' PROFILE

***Note*:**

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 the 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 2010 are disclosed in "Directors' and chief executive's interests" section on pages 40 to 42 of this Interim Report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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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 16 to 39, which comprises the condensed consolidated balance sheet of SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2010 and the related condensed consolidated profit and loss account, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The 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, 23 February 2011

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	Unaudited six months ended 31 December 2010 $000	2009 $000
Service revenue		**2,144,824**	1,658,682
Handset and accessory sales		**614,100**	150,877
Revenues	4	**2,758,924**	1,809,559
Cost of inventories sold and services provided		**(865,961)**	(442,099)
Network costs		**(383,285)**	(374,277)
Staff costs		**(252,784)**	(219,403)
Sales and marketing expenses		**(168,154)**	(115,101)
Rental and utilities		**(79,545)**	(78,241)
Other operating expenses		**(88,425)**	(63,881)
Depreciation, amortisation, impairment loss and loss on disposal		**(511,812)**	(429,059)
Operating profit		**408,958**	87,498
Finance income	5	**17,893**	15,906
Finance costs	6	**(45,683)**	(43,173)
Profit before income tax	7	**381,168**	60,231
Income tax (expense)/credit	8	**(56,680)**	46,072
Profit after income tax		**324,488**	106,303
Attributable to			
Equity holders of the Company		**320,521**	111,167
Non-controlling interests		**3,967**	(4,864)
		324,488	106,303
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in cents per share)	9		
Basic		**61.6**	20.7
Diluted		**61.5**	20.7
Dividends	10	**496,180**	132,936

The notes on pages 23 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Profit for the period	**324,488**	106,303
Other comprehensive income		
Fair value (loss)/gain on financial investments, net of tax	**(992)**	510
Currency translation differences	**1,166**	162
Other comprehensive income for the period, net of tax	**174**	672
Total comprehensive income for the period	**324,662**	106,975
Total comprehensive income attributable to		
Equity holders of the Company	**320,695**	111,839
Non-controlling interests	**3,967**	(4,864)
	324,662	106,975

The notes on pages 23 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2010 and 30 June 2010
(Expressed in Hong Kong dollars)

	Note	**Unaudited 31 December 2010 $000**	Audited 30 June 2010 $000
Non-current assets			
Leasehold land		**15,965**	15,893
Fixed assets	11	**1,991,959**	1,910,981
Interest in an associate		**3**	3
Financial investments	12	**413,287**	456,860
Intangible assets	13	**1,469,399**	892,459
Deposits and prepayments	14	**92,697**	95,547
Deferred income tax assets		**1,924**	3,673
		3,985,234	3,375,416
Current assets			
Inventories		**145,130**	47,918
Financial investments	12	**276,634**	313,535
Trade receivables	14	**243,518**	204,459
Deposits and prepayments	14	**144,490**	141,035
Other receivables	14	**37,823**	58,772
Pledged bank deposits		**357,260**	339,830
Cash and cash equivalents		**557,536**	360,182
		1,762,391	1,465,731
Current liabilities			
Trade payables	15	**470,644**	184,895
Other payables and accruals		**540,477**	552,533
Current income tax liabilities		**99,844**	53,235
Customer prepayments and deposits		**492,062**	212,962
Deferred income		**130,951**	102,668
Mobile licence fee liabilities		**97,860**	93,535
		1,831,838	1,199,828
Net current (liabilities)/assets	2	**(69,447)**	265,903
Total assets less current liabilities		**3,915,787**	3,641,319
Non-current liabilities			
Customer prepayments and deposits		**280,616**	110,204
Asset retirement and other obligations		**113,561**	78,444
Mobile licence fee liabilities		**758,818**	660,660
Deferred income tax liabilities		**24,668**	30,154
Net assets		**2,738,124**	2,761,857

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2010 and 30 June 2010
(Expressed in Hong Kong dollars)

	Note	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Capital and reserves			
Share capital	16	**50,939**	52,567
Reserves		**2,648,360**	2,674,432
Total equity attributable to equity holders of the Company		**2,699,299**	2,726,999
Non-controlling interests		**38,825**	34,858
Total equity		**2,738,124**	2,761,857

The notes on pages 23 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010
(Expressed in Hong Kong dollars)

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Net cash generated from operating activities	**1,616,734**	504,216
Net cash used in investing activities	**(1,053,510)**	(816,033)
Net cash used in financing activities	**(365,839)**	(43,114)
Net increase/(decrease) in cash and cash equivalents	**197,385**	(354,931)
Effect of foreign exchange rate change	**(31)**	8
Cash and cash equivalents at 1 July	**360,182**	668,271
Cash and cash equivalents at 31 December	**557,536**	313,348

The notes on pages 23 to 39 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 2010
(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	Non-controlling 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	–	–	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)
Total transactions with owners	(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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2010
(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	Non-controlling interests $000	Total $000
At 1 July 2010	52,567	10,912	1,228	8,503	2,017,925	13,797	2,758	619,309	2,726,999	34,858	2,761,857
Comprehensive income											
Profit for the period	–	–	–	–	–	–	–	320,521	320,521	3,967	324,488
Other comprehensive income											
Fair value loss on financial investments, net of tax	–	–	(992)	–	–	–	–	–	(992)	–	(992)
Currency translation differences	–	–	–	–	–	–	1,166	–	1,166	–	1,166
Total comprehensive income	–	–	(992)	–	–	–	1,166	320,521	320,695	3,967	324,662
Transactions with owners											
Issue of shares	129	14,017	–	–	–	(2,540)	–	–	11,606	–	11,606
Repurchase of shares	(1,757)	–	–	1,757	(179,267)	–	–	(1,757)	(181,024)	–	(181,024)
Payment of 2010 final dividend	–	–	–	–	–	–	–	(178,977)	(178,977)	–	(178,977)
Total transactions with owners	(1,628)	14,017	–	1,757	(179,267)	(2,540)	–	(180,734)	(348,395)	–	(348,395)
At 31 December 2010	50,939	24,929	236	10,260	1,838,658	11,257	3,924	759,096	2,699,299	38,825	2,738,124

The notes on pages 23 to 39 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

SmarTone Telecommunications Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of telecommunications 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 ("Interim Financial Statements") are presented in thousands of units of Hong Kong dollars ($000), unless otherwise stated. These Interim Financial Statements have been approved for issue by the board of directors on 23 February 2011.

2 Basis of preparation

These Interim Financial Statements for the six months ended 31 December 2010 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 June 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by $69,447,000 as at 31 December 2010, with a substantial increase in customer prepayments and deposits included in current liabilities. The significant growth in subscriptions of handset bundled plans resulted in corresponding increases in handset subsidies included in non-current assets, and non-refundable customer prepayments included in current and non-current liabilities. Both handset subsidy and non-refundable customer prepayment will reduce gradually over the contract term of each subscription. Excluding the non-refundable customer prepayments of $444,306,000 (30 June 2010: $181,126,000) included in current liabilities, the Group would have net current assets of $374,859,000 as at 31 December 2010 (30 June 2010: $447,029,000). Based on the Group's history of its operating performance and its expected future working capital requirements, there are sufficient financial resources available to the Group to meet its obligations as and when they fall due. Accordingly, these Interim Financial Statements have been prepared on a going concern basis.

(Expressed in Hong Kong dollars)

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 2010, as described in those annual financial statements.

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

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 30 June 2011.

HKFRS (Amendments)	Improvements to HKFRSs 2009[1]
HKFRS (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction[1]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 January 2010.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010, as appropriate.
4 Effective for annual periods beginning on or after 1 July 2010.

The adoption of above new standards, amendments to standards and interpretations have no significant impact on these Interim Financial Statements.

The following new and revised 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 2011 or later periods but which the Group has not early adopted.

HKFRS (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosure[2]
HKFRS 9	Financial Instrument[3]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]

1 Effective for annual periods beginning on or after 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 January 2011.
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 2010			
	Hong Kong $000	Macau $000	Elimination $000	Consolidated $000
Revenues	2,659,423	132,468	(32,967)	2,758,924
EBITDA	889,689	31,081	–	920,770
Depreciation, amortisation, impairment loss and loss on disposal	(496,658)	(15,215)	61	(511,812)
Operating profit	393,031	15,866	61	408,958
Finance income				17,893
Finance costs				(45,683)
Profit before income tax				381,168

4 Segment information *(continued)*

(a) Segment results *(continued)*

	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 (i)	(364,150)	(64,909)	–	(429,059)
Operating profit/(loss)	106,925	(19,427)	–	87,498
Finance income				15,906
Finance costs				(43,173)
Profit before income tax				60,231

(i) 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 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.

(b) Segment assets

	Hong Kong $000	Macau $000	Unallocated $000	Consolidated $000
At 31 December 2010 (Unaudited)	**4,835,794**	**219,983**	**691,848**	**5,747,625**
At 30 June 2010 (Audited)	3,840,656	226,420	774,071	4,841,147

5 Finance income

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Interest income from listed debt securities	**14,689**	13,435
Interest income from unlisted debt securities	**1,976**	1,672
Interest income from bank deposits	**998**	728
Accretion income	**230**	71
	17,893	15,906

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

6 Finance costs

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Accretion expenses		
Mobile licence fee liabilities	**44,421**	41,896
Asset retirement obligations	**1,262**	1,277
	45,683	43,173

Finance costs, comprising of accretion expenses or deemed interest on mobile licence fee liabilities and asset retirement obligations, are not attributable to bank or other borrowings.

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

7 Profit before income tax

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

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Charging:		
Cost of inventories sold	**569,815**	149,657
Impairment loss of inventories	**–**	4,799
Operating lease rentals for land and buildings, transmission sites and leased lines	**338,306**	336,984
Impairment loss of trade receivables (note 14)	**8,306**	6,303
Amortisation		
Handset subsidies	**242,197**	122,755
Mobile licence fees	**36,047**	33,646
Leasehold land	**323**	317
Depreciation		
Owned fixed assets	**225,076**	220,994
Leased fixed assets	**–**	38,727
Impairment loss of fixed assets	**–**	10,700
Loss on disposal of fixed assets	**8,169**	1,920
Crediting:		
Net exchange gain	**917**	120
Reversal of impairment loss of inventories	**466**	–

8 Income tax (expense)/credit

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 (expense)/credit recognised in the condensed consolidated profit and loss account represents:

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Current income tax		
Hong Kong profits tax	**(59,922)**	(9,938)
Overseas tax	**(495)**	(4,305)
Deferred income tax	**3,737**	60,315
	(56,680)	46,072

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 $320,521,000 (2009: $111,167,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 520,070,738 (2009: 537,167,239). The diluted earnings per share is based on 520,888,838 (2009: 537,167,239) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 818,100 (2009: nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

10 Dividends

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
In respect of the period		
Interim dividend declared of 62 cents (2009: 17 cents) per share	**317,203**	89,917
Attributable to prior year paid in the period		
Final dividend of 35 cents (2009: 8 cents) per share	**178,977**	43,019
	496,180	132,936

At a meeting held on 23 February 2011, the directors declared an interim dividend of 62 cents per share for the year ending 30 June 2011. The interim dividend declared is not reflected as a dividend payable in these Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2011.

At a meeting held on 7 September 2010, the directors declared a final dividend of 35 cents per share for the year ended 30 June 2010, which were paid on 12 November 2010 and have been reflected as an appropriation of retained profits for the six months ended 31 December 2010.

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

11 Fixed assets

	Unaudited $000
Opening net book amount at 1 July 2010	**1,910,981**
Additions	**314,058**
Disposals	**(8,374)**
Exchange differences	**370**
Depreciation	**(225,076)**
Closing net book amount at 31 December 2010	**1,991,959**
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

During the six months ended 31 December 2010, major fixed assets acquired by the Group included network under construction amounting to $263,869,000.

At 31 December 2010 and 30 June 2010, the fixed assets held by the Group under finance leases were fully depreciated.

12 Financial investments

	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Available-for-sale financial assets (a)	**28,280**	29,272
Held-to-maturity debt securities (b)	**661,641**	741,123
	689,921	770,395
Less: held-to-maturity debt securities maturing within 1 year included under current assets	**(276,634)**	(313,535)
Total non-current financial investments	**413,287**	456,860

12 Financial investments *(continued)*

(a) Available-for-sale financial assets

	Unaudited $000
At 1 July 2010	29,272
Change in fair value	(992)
At 31 December 2010	**28,280**

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

The available-for-sale financial assets are stated at fair value based on the net asset value per unit of the respective funds as determined by the managers of the relevant funds.

(b) Held-to-maturity debt securities

	Unaudited $000
At 1 July 2010	741,123
Amortisation	(4,183)
Redemption upon maturity	(75,129)
Exchange differences	(170)
At 31 December 2010	**661,641**

The held-to-maturity debt securities are denominated in US dollars with a minimum credit rating of A- as rated by Standard & Poor's (30 June 2010: A-).

The carrying amounts approximate their fair value.

During the six months ended 31 December 2010, no gain or loss arose on the disposal of held-to-maturity debt securities (2009: same).

13 Intangible assets

	Unaudited		
	Handset subsidies $000	Mobile licence fees $000	Total $000
Opening net book amount at 1 July 2010	**418,631**	**473,828**	**892,459**
Additions	**702,797**	**152,387**	**855,184**
Amortisation	**(242,197)**	**(36,047)**	**(278,244)**
Closing net book amount at 31 December 2010	**879,231**	**590,168**	**1,469,399**
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

As a result of the change in estimate on the usage of radio spectrum, the intangible assets of mobile licence fees and the related mobile licence fee liabilities has increased by $152,387,000 during the six months ended 31 December 2010.

14 Trade and other receivables

	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Trade receivables	**259,488**	216,349
Less: provision for impairment of trade receivables	**(15,970)**	(11,890)
Trade receivables – net	**243,518**	204,459
Deposits and prepayments	**237,187**	236,582
Other receivables	**37,823**	58,772
	518,528	499,813
Less: deposits and prepayments included under non-current assets	**(92,697)**	(95,547)
Current assets	**425,831**	404,266

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 provision for impairment, is as follows:

	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Current to 30 days	**211,729**	180,478
31 – 60 days	**22,750**	16,174
61 – 90 days	**4,970**	3,997
Over 90 days	**4,069**	3,810
	243,518	204,459

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 $8,306,000 (2009: $6,303,000) for the impairment of its trade receivables during the six months ended 31 December 2010. 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 2010 $000	Audited 30 June 2010 $000
Current to 30 days	**365,164**	161,374
31 – 60 days	**62,283**	11,038
61 – 90 days	**30,477**	5,592
Over 90 days	**12,720**	6,891
	470,644	184,895

16 Share capital

	Unaudited	
	Shares of $0.1 each	$000
Authorised		
At 1 July 2010 and 31 December 2010	**1,000,000,000**	**100,000**
Issued and fully paid		
At 1 July 2010	**525,672,428**	**52,567**
Issue of new shares upon exercise of share option (a)	**1,289,500**	**129**
Shares repurchased and/or cancelled (b)	**(17,573,000)**	**(1,757)**
At 31 December 2010	**509,388,928**	**50,939**

(a) During the six months ended 31 December 2010, options were exercised to subscribe for 1,289,500 shares in the Company at a consideration of $11,606,000, of which $129,000 was credited to share capital and the balance of $11,477,000 was credited to the share premium account. In respect of the options exercised, an amount of $2,540,000 was reversed from the employee share-based compensation reserve and credited to the share premium account.

(b) During the six months ended 31 December 2010, the Company repurchased 17,302,500 shares on the HKSE. Of these repurchased shares together with 270,500 shares repurchased in June 2010, 17,573,000 shares were cancelled prior to 31 December 2010. The total amount paid to acquire these cancelled shares of $181,024,000 was deducted from equity holders' equity.

Month of repurchase	Number of shares repurchased and/or cancelled	Price per share Highest	Price per share Lowest	Aggregate price paid $000
June 2010	270,500	$8.00	$7.96	2,163
September 2010	2,012,000	$10.10	$8.50	19,128
October 2010	12,874,000	$10.48	$10.18	134,413
November 2010	2,416,500	$10.68	$10.36	25,320
	17,573,000			181,024

(Expressed in Hong Kong dollars)

17 Employee share option scheme

Movements of the share options granted to the participants pursuant to the Company's share option scheme during the six months ended 31 December 2010 are as follows:

			Number of options		
Date of grant	Exercise period	Exercise price	Outstanding at 1 July 2010	Exercised during the period	**Outstanding at 31 December 2010**
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	5,278,000	(1,289,500)	**3,988,500**
1 March 2005	1 March 2006 to 28 February 2015	$9.05	193,000	-	**193,000**
			8,604,500	(1,289,500)	**7,315,000**

18 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 finalising 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).

18 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 2010, the Group issued invoices with a total amount of $67,144,000 (2009: $65,991,000) 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 2010, the Group received invoices with a total amount of $46,392,000 (2009: $45,440,000) from some 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 2010 since it is impracticable to estimate the amount or timing of such income and charge. As at 31 December 2010, the Group had contingent assets and liabilities in respect of fixed-mobile interconnection charge of up to $220,384,000 (30 June 2010: $153,240,000) and $151,753,000 (30 June 2010: $105,361,000) respectively.

19 Commitments and contingent liabilities

(a) Capital commitments

Capital commitments outstanding at 31 December 2010 not provided for in these Interim Financial Statements are as follows:

	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Contracted for		
Fixed assets	**208,878**	339,703
Equity securities	**1,829**	1,830
Authorised but not contracted for	**233,042**	408,404
	443,749	749,937

19 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 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Land and buildings and transmission sites		
Within 1 year	**393,026**	384,054
After 1 year but within 5 years	**211,069**	225,297
After 5 years	**5,537**	9,375
	609,632	618,726
Leased lines		
Within 1 year	**97,452**	81,864
After 1 year but within 5 years	**303,068**	261,328
After 5 years	**262,523**	256,835
	663,043	600,027

(c) Performance bonds

	Unaudited 31 December 2010 $000	Audited 30 June 2010 $000
Hong Kong 3G licence	**604,352**	553,730
Other	**4,005**	4,005
	608,357	557,735

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

(d) Lease out, lease back agreement

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

20 Related party transactions

The Group is controlled by Cellular 8 Holdings Limited, which owns 64.90% of the Company's shares as at 31 December 2010. The remaining 35.10% of the shares are widely held, of which 2.78% is held by another subsidiary of Sun Hung Kai Properties Limited ("SHKP"). The ultimate holding company of the Group is SHKP, a company incorporated in Hong Kong.

(a) During the six months ended 31 December 2010, the Group had significant transactions with certain fellow 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	
	2010	2009
	\$000	\$000
Operating lease rentals for land and buildings and transmission sites (i)	**39,196**	38,415
Insurance expenses (ii)	**2,243**	2,326

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

Certain subsidiaries and associated companies of SHKP have leased premises to the Group for use as offices, retail 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 2010, rental and licence fees paid and payable to subsidiaries and associated companies of SHKP totalled \$39,196,000 (2009: \$38,415,000).

(ii) Insurance expenses

Sun Hung Kai Properties Insurance Limited, a wholly owned subsidiary of SHKP, provides general insurance services to the Group. For the six months ended 31 December 2010, insurance premiums paid and payable were \$2,243,000 (2009: \$2,326,000).

(b) At 31 December 2010, the Group has an interest in an associate, the major shareholder of which is a subsidiary of SHKP. The principal activity of the associate is to invest in an equity fund which primarily invests in technology related companies in the People's Republic of China.

20 Related party transactions *(continued)*

(c) Key management compensation

	Unaudited six months ended 31 December	
	2010	2009
	$000	$000
Salaries, bonuses and other short-term employee benefits	**14,769**	12,623

(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 31 December 2010 $000	Audited 30 June 2010 $000
Trade receivables (note 14)	**856**	693
Deposits and prepayments (note 14)	**8,633**	5,978
Trade payables (note 15)	**36**	50
Other payables and accruals	**2,149**	1,250

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

21 Subsequent event

At a meeting held on 23 February 2011, the directors proposed a bonus issue of shares on the basis of one bonus share for every existing share in issue on 29 March 2011. The bonus shares will be credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares in the contributed surplus account of the Company. Upon issuance, the bonus shares will rank pari passu in all respects with the then existing shares in issue except that they will not rank for the interim dividend for the six months ended 31 December 2010. In order to allow the bonus issue, the directors proposed to increase the authorised share capital of the Company from $100,000,000 to $200,000,000 by creating 1,000,000,000 additional shares. The directors believe that the bonus issue will reduce trading value per board lot of the share, thereby increasing trading liquidity of the Company's shares as well as likely to enlarge the Company's shareholder base.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

INTERIM DIVIDEND

The Directors declared an interim dividend of 62 cents per share for the six months ended 31 December 2010 (2009: 17 cents) to shareholders whose names appear in the Register of Members of the Company on 29 March 2011. It is expected that the interim dividend warrants will be despatched to shareholders on or about 6 April 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 25 March 2011 to Tuesday, 29 March 2011, both days inclusive, during which period no transfer of shares will be registered. In order to establish entitlements to the aforesaid interim dividend and bonus shares, 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 Thursday, 24 March 2011.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2010, 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	0.44
Douglas Li	–	–	3,000,000[2]	3,000,000	0.59
Patrick Kai-lung Chan	–	–	1,103,500[2]	1,103,500	0.22

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 and physically settled equity derivatives) granted by the Company, the details of which are set out in the section entitled "Share Option Scheme".

(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)	Other interests	Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Raymond Ping-luen Kwok	75,000	394,463,978[1]	394,538,978	100,000[2]	394,638,978	15.36
David Norman Prince	2,000	–	2,000	–	2,000	0
Wing-chung Yung	–	–	–	45,000[2]	45,000	0
Thomas Hon-wah Siu	–	7,000[3]	7,000	–	7,000	0
Eric Ka-cheung Li	–	4,028[4]	4,028	–	4,028	0

Notes:

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

2 These represented the interests in the underlying shares of SHKP in respect of the share options (being regarded for the time being as unlisted and physically settled equity derivatives) granted by SHKP under its share option scheme. The outstanding options granted by SHKP to the Directors of the Company under the scheme as at 31 December 2010 were as follows:

Name of Director	Date of grant	Exercise price	Exercise Period	Outstanding at 1 July 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2010
Raymond Ping-luen Kwok	12 July 2010	$111.40	12 July 2011 to 11 July 2015	N/A	100,000*	–	–	100,000
Wing-chung Yung	12 July 2010	$111.40	12 July 2011 to 11 July 2015	N/A	45,000*	–	–	45,000

* The share options can be exercised up to 30% of the grant during the period from 12 July 2011 to 11 July 2012, up to 60% of the grant during the period from 12 July 2012 to 11 July 2013 and in whole or in part of the grant during the period from 12 July 2013 to 11 July 2015.

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

4 These shares in SHKP were held by the spouse of Dr. Eric Ka-cheung Li.

(Financial figures are expressed in Hong Kong dollars)

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

Name of Director	Number of shares held: Other interests	Number of shares held: Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
Raymond Ping-luen Kwok	3,485,000[1]	3,485,000	–	3,485,000	0.15

Note:

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

Save as disclosed above, at 31 December 2010, 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.

(Financial figures are expressed in Hong Kong dollars)

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 2010 are as follows:

Grantee	Date of grant	Exercise price	Exercise period	Outstanding at 1 July 2010	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 31 December 2010
Directors								
Douglas Li	10 February 2003	$9.29	10 February 2003 to 16 July 2011	3,000,000[1]	–	–	–	3,000,000
Patrick Kai-lung Chan	10 February 2003	$9.20	2 May 2003 to 1 May 2012	133,500[2]	–	–	–	133,500
	5 February 2004	$9.00	5 February 2005 to 4 February 2014	970,000[3]	–	–	–	970,000
Employees	5 February 2004	$9.00	5 February 2005 to 4 February 2014	4,308,000[3]	–	(1,289,500)[5]	–	3,018,500
	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, in the original number of 9,457,000, 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.

5 The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was $11.02.

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.

OTHER INFORMATION

(Financial figures are expressed in Hong Kong dollars)

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2010, 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
Sun Hung Kai Properties Limited ("SHKP")[1]	344,806,397	67.69%
HSBC Trustee (C.I.) Limited ("HSBC")[2]	344,806,397	67.69%
Marathon Asset Management LLP	64,690,849	12.69%

Notes:

1 TFS Development Company Limited ("TFS") and Cellular 8 Holdings Limited ("Cellular 8", a wholly owned subsidiary of TFS) held 14,167,925 shares and 330,638,472 shares in the Company respectively. For the purpose of Part XV of the Securities and Futures Ordinance ("SFO"), TFS was deemed to be interested in 330,638,472 shares in the Company held by Cellular 8. Accordingly, TFS had interests and deemed interests in an aggregate of 344,806,397 shares in the Company.

In addition, TFS is a wholly-owned subsidiary of Fourseas Investments Limited ("Fourseas") which in turn is a wholly-owned subsidiary of SHKP. For the purpose of Part XV of the SFO, SHKP and Fourseas were also deemed to be interested in the above-mentioned 344,806,397 shares in the Company.

2 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 2010, 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 2010, the Company repurchased 17,302,500 shares of the Company on The Stock Exchange of Hong Kong. These repurchased shares were cancelled prior to 31 December 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 $
September 2010	2,012,000	10.10	8.50	19,128,000
October 2010	12,874,000	10.48	10.18	134,413,000
November 2010	2,416,500	10.68	10.36	25,320,000
	17,302,500			178,861,000

Save as disclosed above, at no time during the six months ended 31 December 2010 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 17 February 2011 and reviewed these interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2010. 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.

These interim financial statements for the six months ended 31 December 2010 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 2010, the Company has applied the principles and complied with the requirements set out in the "Code on Corporate Governance Practices" (the "CG Code") contained in Appendix 14 of the Listing Rules with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. Non-executive directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's bye-laws. As such, no director has a term of appointment longer than three years.

The 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 2010, 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, 23 February 2011

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, Mr. Alfred Wing-kit Tsim and Mr. John Anthony Miller; Independent Non-Executive Directors are Dr. Eric Ka-cheung Li, JP, Mr. Leung-sing Ng, JP, Mr. Xiang-dong Yang and Mr. Eric Fock-kin Gan.