

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*

## **SmarTone Telecommunications Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 315)**

### **2008 / 2009 INTERIM RESULTS ANNOUNCEMENT**

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

- Service revenue decreased by 0.6% under a very challenging economic environment
- Data revenue continued to grow, up 20%
- EBITDA dropped by 12% and net profit fell by 68%
- Continuing network upgrade for higher data speed and capacity
- Well-capitalised balance sheet and strong cash reserves

#### **CHAIRMAN'S STATEMENT**

I am pleased to report the results of the Group for the six months ended 31 December 2008.

#### **Financial Highlights**

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

#### **Dividend**

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

## **Business Review**

### *Hong Kong*

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

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

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

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

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

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

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

### *Macau*

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

### **Prospects**

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

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

### **Appreciation**

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

**Raymond Ping-luen Kwok**  
*Chairman*

Hong Kong, 25 February 2009

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of financial results

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

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

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

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

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

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

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

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

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

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

The Macau business was negatively impacted by substantial slowdown in the Macau economy during the six months ended 31 December 2008. Revenues fell by 1% to \$135 million (first half of 2007/08: \$137 million). Cost of inventories sold and services provided, operating expenses, depreciation and amortisation rose by 13% collectively. As a result, operating profit fell by 19% to \$49 million (first half of 2007/08: \$61 million).

### **Capital structure, liquidity and financial resources**

There had been no major changes to the Group's capital structure during the six months ended 31 December 2008. The Group was financed by share capital and internally generated funds during the period under review. The cash resources of the Group remained strong with cash and bank balances (including pledged bank deposits) and investments in held-to-maturity debt securities of \$1,394 million at 31 December 2008 (30 June 2008: \$1,677 million). As at 31 December 2008 and 30 June 2008, the Group had no bank or other borrowings.

During the six months ended 31 December 2008, the Group's net cash generated from operating activities and interest received amounted to \$423 million and \$23 million respectively. The Group's major outflows of funds during the period under review were payments for the purchase of fixed assets, handset subsidies, mobile licence fees, share repurchases and 2007/08 final dividend.

The directors are of the opinion that the Group can fund its capital expenditures and working capital requirements for the financial year ending 30 June 2009 with internal cash resources.

### **Treasury policy**

The Group invests its surplus funds in accordance with a treasury policy approved from time to time by the board of directors. Surplus funds are placed as bank deposits or invested in investment grade debt securities. Bank deposits are principally maintained in Hong Kong and United States dollars. Investments in debt securities are denominated in either Hong Kong dollar or United States dollar, and having a maximum maturity of three years. The Group's policy is to hold its investments in debt securities until maturity.

As at 31 December 2008 and 30 June 2008, the Group's total available banking facilities amounted to \$100 million and no amount of the facilities was utilised.

The Group is required to arrange for banks to issue performance bonds and letters of credit on its behalf. In certain circumstances, the Group will partially or fully collateralise such instruments by cash deposits to lower the issuance costs. Pledged bank deposits amounted to \$499 million as at 31 December 2008 (30 June 2008: \$333 million).

### **Functional currency and foreign exchange exposure**

The functional currency of the Group is the Hong Kong dollar. All material revenues, expenses, assets and liabilities, except the Group's United States dollar bank deposits and debt securities are denominated in Hong Kong dollar. The Group therefore does not have any significant exposure to foreign currency gains and losses other than from its United States dollar denominated bank deposits and debt securities. The Group does not currently undertake any foreign exchange hedging.

### **Contingent liabilities**

#### *Performance bonds*

Certain banks, on the Group's behalf, have issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under licences issued by those authorities. The total amount outstanding at 31 December 2008 under these performance bonds was \$505 million (30 June 2008: \$454 million).

#### *Lease out, lease back arrangement*

A bank, on the Group's behalf, had issued a letter of credit to guarantee the Group's obligations under a lease out, lease back arrangement entered into during the year ended 30 June 1999. This letter of credit is fully cash collateralised using surplus cash deposits. The directors are of the opinion that the risk of the Group being required to make payment under this guarantee is remote.

### **Employees and share option scheme**

The Group had 1,878 full-time employees as at 31 December 2008 (30 June 2008: 1,790), with the majority of them based in Hong Kong. Total staff costs were \$221 million for the six months ended 31 December 2008 (first half of 2007/08: \$209 million).

Employees receive a remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and depend, inter-alia, on both the Group's performance and the performance of the individual employee. Benefits include retirement schemes, medical and dental care insurance. Employees are provided with both internal and external training appropriate to each individual's requirements.

The Group has a share option scheme under which the Company may grant options to participants, including directors and employees, to subscribe for shares of the Company. During the six months ended 31 December 2008, no share options were granted or exercised; and 440,000 share options were cancelled or lapsed. At 31 December 2008, 8,846,500 share options (30 June 2008: 9,286,500) were outstanding.

## RESULTS

The directors of the Company are pleased to present the Group's consolidated profit and loss account for the six months ended 31 December 2008 and the consolidated balance sheet as at 31 December 2008 of the Group, all of which are unaudited and condensed, along with selected explanatory notes.

### Condensed consolidated profit and loss account

For the six months ended 31 December 2008

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

## Condensed Consolidated Balance Sheet

As at 31 December 2008 and 30 June 2008

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

## Notes to the Condensed Interim Financial Statements

### 1 General information

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

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

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

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

### 2 Basis of preparation

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

### 3 Accounting policies

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

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008.

### 3 Accounting policies (continued)

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 October 2008.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

#### 4 Segment reporting

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

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

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

  

	Unaudited six months ended 31 December 2007			
	Hong Kong \$000	Macau \$000	Others \$000	Consolidated \$000
Revenues	<u>1,935,679</u>	<u>136,617</u>	<u>(16,609)</u>	<u>2,055,687</u>
Operating profit/Segment result	<u>130,214</u>	<u>60,602</u>	<u>-</u>	<u>190,816</u>
Finance income				52,749
Finance costs				(43,240)
Profit before income tax				<u>200,325</u>
Income tax expense				(24,040)
Profit after income tax				<u><u>176,285</u></u>

## 5 Finance income

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

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

## 6 Finance costs

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

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

## 7 Profit before income tax

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

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

## 8 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Income tax on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

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

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

## 9 Earnings per share

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

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

## 10 Dividends

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

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

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

## 11 Trade receivables

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

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

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

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

## 12 Trade payables

An ageing analysis of trade payables is as follows:

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

## INTERIM DIVIDEND

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2008, the Company repurchased 28,574,000 shares of the Company on The Stock Exchange of Hong Kong. Of these repurchased shares, 27,282,000 were cancelled prior to 31 December 2008 and the balance 1,292,000 were cancelled subsequently in January 2009. Details of the repurchases were as follows:

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

Save as disclosed above, at no time during the six months ended 31 December 2008 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

## REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the interim financial statements as well as the internal audit reports of the Group for the six months ended 31 December 2008. The Committee was satisfied that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practices in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements. The Committee was also satisfied with the internal control measures adopted by the Group.

The interim financial statements for the six months ended 31 December 2008 have not been audited but have been reviewed by the Company's external auditors.

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

## CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. Throughout the six months ended 31 December 2008, the Company has applied the principles and complied with the requirements set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules with the only deviation from code provision A.4.1 in respect of the service term of non-executive directors. Non-executive directors of the Company are not appointed with specific term but they are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting once every three years in accordance with the Company's bye-laws. As such, no director has a term of appointment longer than three years.

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

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

Hong Kong, 25 February 2009

*As at the date of this announcement, the Executive Directors of the Company are Mr Douglas Li and Mr Patrick Kai-lung Chan; Non-Executive Directors are Mr Raymond Ping-luen Kwok, Mr Michael Yick-kam Wong, Mr Wing-yui Cheung, Mr David Norman Prince, Mr Wing-chung Yung and Mr Thomas Hon-wah Siu; Independent Non-Executive Directors are Dr Eric Ka-cheung Li, JP, Mr Leung-sing Ng, JP, Mr Xiang-dong Yang, Mr Eric Fock-kin Gan and Mr Peter David Sullivan.*