1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The summary accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and related interpretations ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Convenience translations

The consolidated profit and loss account for the year ended 31st December 2004 and the consolidated balance sheet as at 31st December 2004 contain certain translations of Hong Kong dollars to U.S. dollars at the rate of HK$7.7723 to the U.S. dollar. Such translations should not be construed as representations that the Hong Kong dollar amounts represent, have been or could have been converted into U.S. dollars at that or any other rate.

2 SEGMENT INFORMATION

	Turnover		Contribution to profit/(loss) from operations	
	2004 HK$'000	**2003 HK$'000**	**2004 HK$'000**	**2003 HK$'000**
Mobile services	1,031,689	1,150,570	82,081	142,935
Sales of mobile phones and accessories	126,920	109,471	(50,197)	(61,076)
	1,158,609	1,260,041	31,884	81,859

3 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit for the year of HK$5,544,000 (2003: HK$27,172,000) and the 2,990,000,000 shares (2003: 2,990,000,000 shares) in issue during the year.

(b) Diluted earnings per share

There is no dilutive effect upon exercise of the share options on the earnings per share for the years ended 31st December 2004 and 2003 since the exercise prices for the share options were above the average fair value of the shares.

4 EBITDA

EBITDA represents earnings of the Group before interest income, finance costs, taxation, depreciation, amortisation and share of losses from a joint venture.

5 DIRECTORS' AND MANAGEMENT EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments to directors of the Company are as follows:

Directors	2004 Fees HK$'000	2004 Salary, other allowances and benefits-in-kind HK$'000	2004 Retirement scheme contributions HK$'000	2004 Total HK$'000	2003 Total HK$'000
Richard John Siemens	—	1,500	30	1,530	1,630
Edward Wai Sun Cheng	—	1,500	30	1,530	1,630
William Bruce Hicks	—	3,976	30	4,006	4,060
Kuldeep Saran	—	1,500	30	1,530	1,630
Andrew Chun Keung Leung	—	1,500	30	1,530	1,630
John William Crawford (Note 1)	200	—	—	200	28
Henry Michael Pearson Miles	200	—	—	200	200
Simon Murray (Note 2)	146	—	—	146	200
Robert John Richard Owen	200	—	—	200	200
Kenneth Michael Katz (Note 3)	—	—	—	—	—
Hongqing Zheng	—	—	—	—	—
	746	9,976	150	10,872	11,208

Notes:

(1) Appointed on 10th November 2003.

(2) Resigned on 24th September 2004.

(3) Appointed on 16th January 2004.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors 2004	Number of directors 2003
Nil — HK$1,000,000	6	8
HK$1,500,001 — HK$2,000,000	4	4
HK$4,000,001 — HK$4,500,000	1	1

During the year no options were granted to or exercised by the directors (2003: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2003: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2003: three) individuals during the year are as follows:

	2004 HK$'000	2003 HK$'000
Salaries, other allowances and benefits-in-kind	6,550	4,653
Retirement scheme contributions	120	78
Compensation for loss of office — contractual payment	168	754
	6,838	5,485

The emoluments of these four (2003: three) individuals fell within the following bands:

Emolument bands (including compensation for loss of office)	Number of individuals 2004	2003
HK$1,500,001 — HK$2,000,000	4	2
HK$2,000,001 — HK$2,500,000	—	1

6 FIXED ASSETS

	Network equipment HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost							
At 1st January 2004	1,940,678	6,649	17,972	222,992	2,437	319,966	2,510,694
Additions (Note 7)	298,398	375	605	12,921	287	42,977	355,563
Disposals	(505)	(14)	(1,092)	(189)	—	(6,871)	(8,671)
At 31st December 2004	2,238,571	7,010	17,485	235,724	2,724	356,072	2,857,586
Accumulated depreciation							
At 1st January 2004	912,906	5,200	11,988	200,212	1,910	276,579	1,408,795
Charge for the year	191,180	810	2,120	11,544	236	22,755	228,645
Disposals	(282)	(13)	(912)	(187)	—	(6,776)	(8,170)
At 31st December 2004	1,103,804	5,997	13,196	211,569	2,146	292,558	1,629,270
Net book value							
At 31st December 2004	1,134,767	1,013	4,289	24,155	578	63,514	1,228,316
At 31st December 2003	1,027,772	1,449	5,984	22,780	527	43,387	1,101,899

At 31st December 2004, all fixed assets were pledged as security for the vendor loan facilities of the Group.

Expenditures of HK$29,965,000 and borrowing costs of HK$5,543,000 were capitalised as fixed assets in the course of constructing the 3G network (2003: Nil).

7 PREPAYMENT OF 3G LICENCE FEES

	2004 HK$'000	2003 HK$'000
At 1st January	141,667	191,667
Amount capitalised as fixed assets	(50,000)	(50,000)
At 31st December	91,667	141,667
Classified as:		
Current assets	50,000	50,000
Non-current assets	41,667	91,667
	91,667	141,667

In 2001, the Group paid an amount of HK$250,000,000, equivalent to the aggregate of the first five years' annual fees for its 3G licence, to the Office of Telecommunications Authority ("OFTA"). For the remaining 10 years of the 3G licence, the fees payable shall be the higher of 5% of the turnover attributable to the provision of 3G services and the Minimum Annual Fees (as defined in the 3G licence) for each year of the 3G licence. The total Minimum Annual Fees over the remaining term of the 3G licence is HK$1,056,838,000. As at 31st December 2004, the net present value of which, at an assumed cost of capital to the Group at 9%, is HK$532,460,000.

In accordance with the 3G licence, on 22nd October each year, the Group is required to provide additional performance bond(s) during the licence period such that the total amount of such performance bond(s) and the Minimum Annual Fees prepaid is equivalent to the next five years' Minimum Annual Fees due (or the remaining Minimum Annual Fees due where less than five years remains). On 22nd October, 2004, the Group provided a performance bond through drawdown of a 3G performance bond facility in an aggregate amount of the 6th, 7th and 8th years' Minimum Annual Fees.

8 LONG-TERM LOANS

	2004 HK$'000	2003 HK$'000
Bank loans (secured)	—	240,000
Vendor loans (secured)	603,148	481,368
	603,148	721,368
Less: Deferred charges	(10,408)	—
	592,740	721,368
Current portion of long-term loans	—	(296,368)
Long-term portion	592,740	425,000

At 31st December 2004 and 2003, the Group's long-term loans were repayable as follows:

	Bank loans		Vendor loans	
	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	—	240,000	—	56,368
In the second year	—	—	75,000	175,000
In the third to fifth year	—	—	239,074	250,000
After the fifth year	—	—	289,074	—
	—	240,000	603,148	481,368

Pursuant to the Heads of Agreement of Facility Agreement executed in December 2003 with Mandarin Communications Limited ("Mandarin"), the principal operating subsidiary of the Group, Huawei Tech. Investment Co., Limited ("Huawei Tech.") extended a term loan of HK$500,000,000 (the "New Loan") to Mandarin in January 2004.

On 12th January 2004, Mandarin repaid the outstanding loan principal of HK$721,368,000 and accrued interest of the bank and vendor loans using its operating cash flows and the New Loan from Huawei Tech.

On 13th May 2004, Mandarin, the Company and Huawei Tech. entered into a conditional supply contract for HK$859,000,000 (the "Supply Contract") and a conditional facility agreement for the provision of the long-term financing required (the "Facility Agreement"), subject to the satisfaction of certain conditions precedent. The Facility Agreement comprises the following facilities:

- a HK$859,000,000 equipment supply facility with a term of 7.5 years. This facility is to be drawndown against invoices issued under the Supply Contract. The loan carries a floating interest rate tied to HIBOR, and is repayable by eight semi-annual instalments commencing four years from the date of the Facility Agreement;

- a HK$500,000,000 general facility to replace the New Loan, with a term of 2.5 years from the date of the original drawdown of the New Loan. The loan carries a floating interest rate tied to HIBOR, and is repayable by five semi-annual instalments; and

- a 3G performance bond facility for the issuance of the performance bonds required by the OFTA in the years 2004 — 2010 (inclusive) under the terms of the 3G licence.

As security for the provision of the loan and credit facilities under the Facility Agreement, Huawei Tech. has been granted a security package with terms that are standard for similar project financing arrangements and which includes a charge over all the assets, revenues and shares of certain wholly-owned subsidiaries of the Company and a corporate guarantee by the Company.

Both the Supply Contract and the Facility Agreement, as well as the security arrangements, became effective on 2nd July 2004.

On 15th November 2004, Mandarin entered into the supplemental agreement to the Supply Contract ("the Supplemental Agreement") and the amendment and restatement agreement relating to the Facility Agreement (the "Amendment and Restatement Agreement") with Huawei Tech. in respect of amendments to the above Supply Contract and Facility Agreement.

The Supplemental Agreement aims to give Mandarin flexibility to purchase and install the most technologically advanced equipment available. Payment for all equipment and services provided under the Supplemental Agreement will be satisfied by drawdown of the equipment supply facility under the Facility Agreement as increased by the Amendment and Restatement Agreement.

The Amendment and Restatement Agreement provides for:

(a) the equipment supply facility under the Facility Agreement to be increased by HK$349,000,000 from HK$859,000,000 to HK$1,208,000,000;

(b) the repayment schedule for the general facility within the Facility Agreement to be amended to provide for the next payment to be extended to July 2006 and for the remaining balance to be paid by instalments until July 2011; and

(c) amendment of certain of the covenants given by Mandarin to the lenders to take account of the changes to the Facility Agreement.

Both the Supplemental Agreement and the Amendment and Restatement Agreement became effective on 23rd December 2004.

9 RESERVES

	Reserve Arising from the Reorganisation HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Reserves HK$'000
As at 1st January 2003	1,254,000	2,124,424	(3,006,692)	371,732
Profit for the year	—	—	27,172	27,172
As at 31st December 2003	1,254,000	2,124,424	(2,979,520)	398,904
As at 1st January 2004	1,254,000	2,124,424	(2,979,520)	398,904
Profit for the year	—	—	5,544	5,544
As at 31st December 2004	1,254,000	2,124,424	(2,973,976)	404,448

10 OTHER INFORMATION

The summary accounts are only a summary of information in the SUNDAY Annual Report 2004. They are not the Group's statutory accounts and do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full annual report and accounts.