1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

The summary accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new/revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January 2005.

b. Basis of preparation

The summary accounts for the year ended 31st December 2005 incorporate the accounts of the Company and its subsidiaries.

The summary accounts have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are carried at fair values.

During the year, the Group has adopted the new/revised HKFRSs below, which are relevant to its operations. The 2004 comparatives have been restated, as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment

b. Basis of preparation

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 17, 18, 19, 21, 23, 24, 27, 31, 32, 33, 36, 37 and HKFRS 2 had no material effect on the Group's accounting policies. The effect of the adoption of certain new/revised HKFRSs, which results in substantial changes to accounting policies, is set out below.

i. *Asset retirement obligations (HKAS 16)*

The adoption of HKAS 16 has resulted in a change in accounting policy relating to recognition of fixed assets and liabilities subject to retirement obligations at fair values.

ii. *Definition of related parties (HKAS 24)*

As a result of the adoption of HKAS 24, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had the Statement of Standard Accounting Practice 20 "Related Party Disclosures" still been in effect.

iii. *Recognition of intangible asset – 3G Licence (HKAS 38)*

The adoption of HKAS 38 has resulted in a change in accounting policy relating to the recognition of the fees and royalties payable for the third generation licence for telecommunications services (the "3G Licence"). The 3G Licence is considered an intangible asset representing the right to provide the specified telecommunications services, rather than a right to use an identifiable asset, by deploying the radio spectrum allocated by the Office of the Telecommunications Authority ("OFTA") to the licence holder under the terms of the licence. In order to measure the intangible asset, HKAS 39 Financial Instruments: Recognition and Measurement is applied for recognition of the minimum annual fees and royalty payments as they constitute a contractual obligation to deliver cash and, hence, should be considered a financial liability. As a result, capitalised minimum annual payments together with the interest accrued prior to commercial launch, are classified as an intangible asset and amortised on the straight-line basis over the remaining licence period from the date the asset is ready for its intended use. Interest is accrued on the outstanding minimum annual fees and charged to finance costs in the consolidated profit and loss account after the commercial launch. Variable annual payments on top of the minimum annual payments, if any, are recognised in the consolidated profit and loss account as incurred.

iv. *Recognition of intangible assets – subscriber acquisition costs (HKAS 38)*

Costs to acquire contractual relationships with mobile subscribers are capitalised if it is probable that there will be an inflow of expected future economic benefits from the subscribers to the Group and such costs can be measured reliably. Capitalised subscriber acquisition costs are amortised on the straight-line basis over the minimum contractual period.

v. *Rental deposits and prepaid operating rental expenses (HKAS 39)*

The adoption of HKAS 39 has required the Group to recognise rental deposits relating to cell sites, switch centres, shops and offices as financial assets at fair values. As a result, the difference between nominal and fair values of the deposits is treated as prepaid operating rental expenses. The prepayments are then amortised over the remaining lease terms of the respective cell sites, shops and offices, while the rental deposits generate deemed interest income over the remaining lease terms.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than HKAS 39 which recognises all derivatives at fair values in the balance sheet on 1st January 2005 and adjusts the balance to retained earnings as at that date.

The adoption of HKAS 16 resulted in:

	As at 31st December	
	2005	2004
	HK$'000	HK$'000
Increase in fixed assets	16,328	—
Increase in accumulated losses	1,511	—
Increase in asset retirement obligations	(17,839)	—

	For the year ended 31st December	
	2005	2004
	HK$'000	HK$'000
Increase in loss attributable to shareholders	1,511	—
Increase in loss per share (basic and diluted)	0.05 cents	—

The adoption of HKAS 38 resulted in:

	As at 31st December	
	2005	2004
(a) 3G Licence	HK$'000	HK$'000
Increase in intangible assets	838,110	787,496
Decrease in fixed assets	(214,109)	(163,369)
Decrease in prepayment for 3G Licence	(41,667)	(91,667)
Increase in long-term liabilities	(582,334)	(532,460)

	As at 31st December	
	2005	2004
(b) Subscriber acquisition costs	HK$'000	HK$'000
Increase in intangible assets	9,806	6,796
Decrease in accumulated losses	(9,806)	(6,796)

	For the year ended 31st December	
	2005	2004
	HK$'000	HK$'000
Decrease in (loss)/profit attributable to shareholders	(3,010)	1,171
Decrease in (loss)/earnings per share (basic and diluted)	(0.10 cents)	0.04 cents

The adoption of HKAS 39 resulted in:

	As at 31st December	
	2005	2004
	HK$'000	HK$'000
Increase in prepaid operating rental expenses – non-current assets (Note (a))	2,354	—
Increase in rental deposits – non-current assets (Note (a))	23,610	—
Increase in prepaid operating rental expenses – current assets (Note (b))	928	—
Decrease in rental deposits - current assets (Note (b))	(26,891)	—
Decrease in accumulated losses	(1)	—

	For the year ended 31st December	
	2005	2004
	HK$'000	HK$'000
Decrease in loss attributable to shareholders	(1)	—
Decrease in loss per share (basic and diluted)	—	—

Note (a): Classified under "Deposits and prepayments" in consolidated balance sheet.
Note (b): Classified under "Deposits, prepayments and other receivables" in consolidated balance sheet.

The preparation of summary accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. A revision to an accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effects on the accounts and estimates with a significant risk of material adjustment in the next year are outlined in note 2.

c. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses as described in note 1(e).

The cost of a fixed asset comprises (i) its purchase price, (ii) any directly attributable costs of bringing the asset to its working condition and location for its intended use, (iii) the initial estimate at the time of installation and during the period of use, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (iv) changes in the measurement of existing liabilities recognised for the costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the related costs can be measured reliably. All other repairs and maintenance are expensed in the consolidated profit and loss account during the financial period in which they are incurred.

Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit and loss account on the date of retirement or disposal.

Depreciation of fixed assets is calculated to write off the cost over their estimated useful lives, using the straight-line basis. Estimated useful lives are summarised as follows:

2G Network equipment	5 to 10 years
3G Network equipment	10 years
Computer equipment	Shorter of 5 years or lease period of 1 to 3 years
Leasehold improvements	Lease periods of 2 to 10 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

During the year, the Group has reviewed the estimated useful lives of all fixed assets, and changed the estimated useful lives of 2G network equipment from shorter of 10 years or lease period of 1 to 3 years to 5 to 10 years, with effect from 1st July 2005, as a result of change in business plan after the acquisition of a majority interest in the Company by PCCW. Such change in accounting estimate resulted in an increase in depreciation of 2G network equipment by HK$5,590,000 and HK$71,694,000 during the year ended 31st December 2005 and for the remaining useful lives respectively. Depreciation for 2G network equipment for the period from 1st January to 30th June 2005, calculated using straight-line basis over the original estimated useful lives, was HK$93,176,000; and for the period from 1st July to 31st December 2005, calculated using straight-line basis over the revised estimated useful lives, was HK$97,523,000.

Both the useful life of an asset and its residual value, if any, are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable value if its carrying amount is greater than its estimated recoverable value as described in note 1(e).

d. Intangible assets

Intangible assets are stated in the consolidated balance sheet as cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses as described in note 1(e).

(i) Telecommunications licence for 3G services

The mobile carrier licence to establish and maintain a 3G network and to provide 3G services in Hong Kong (the "3G Licence") is recorded as an intangible asset. Upon the issue of the 3G Licence, the cost thereof, which is the discounted value of the minimum annual fees payable over the licence period of 15 years and directly attributable costs of preparing the asset for its intended use, is recorded together with the related obligations. Amortisation is provided on the straight-line basis over the remaining licence period from the date when the asset is ready for its intended use.

The difference between the discounted value and the total of the minimum annual fee payments represents the effective cost of financing and, accordingly, for the period prior to the asset being ready for its intended use, is capitalised as part of the intangible asset. Subsequent to the date when the asset is ready for its intended use, such finance costs will be charged to the consolidated profit and loss account in the year in which they are incurred.

Variable annual payments on top of the minimum annual payments, if any, are recognised in the consolidated profit and loss account as incurred.

(ii) Subscriber acquisition costs

Costs to acquire contractual relationships with mobile subscribers are capitalised if it is probable that there will be an inflow of expected future economic benefits bringing from the subscribers to the Group and such costs can be measured reliably. Capitalised subscriber acquisition costs are amortised on the straight-line basis over the minimum contractual period. By the end of the minimum contractual period, fully amortised subscriber acquisition costs will be written off.

Costs incurred in acquiring mobile subscribers without enforceable contracts are otherwise expensed and charged to the consolidated profit and loss account under respective categories. The costs comprise the loss on sales of mobile phones and accessories to the Group and commission expenses payable to dealers for subscriptions without enforceable contracts. Revenue and cost of sales in respect of sales of mobile phones and accessories are included in telecommunications services revenue and cost of sales, respectively. The commission expenses are included in advertising, promotion and other selling costs.

e. Impairment of assets

(i) Non-financial assets

Intangible assets not yet available for use are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair values less the costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment are also reviewed for possible reversal of the impairment at each reporting date.

(ii) Financial assets

For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed the time of the initial recognition of such assets), and recognised in the consolidated profit and loss account.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

f. Financial assets

The Group classifies its financial assets as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as 'Trade and other receivables' in the balance sheet as described in note 1(g). Management determines the classification of a financial assets at the time of initial recognition and re-evaluates its designation at every reporting date.

Loans and receivables are carried at amortised cost using the effective interest method.

For financial assets without an active market, the Group establishes the fair values by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. If none of the valuation techniques results in a reasonable estimate of the fair values, the investment is stated at cost less impairment losses as described in note 1(e).

Impairment testing of trade receivables is described in note 1(g).

g. Trade and other receivables

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less any provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in cost of services within the consolidated profit and loss account.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimations and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Useful lives of property, plant and equipment

The Group has significant property, plant and equipment and are required to estimate the useful lives in order to ascertain the amount of depreciation and amortisation charges for each reporting period. The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of fixed assets.

The useful lives are estimated at the time the purchases are made after considering the future technology changes, business developments and the Group's strategies. Should there be unexpected adverse changes in the circumstances or events, the Group assesses the need to shorten the useful lives and/or make impairment provisions. Indications of these unexpected adverse changes include declines in projected operating results, negative industry or economic trends, rapid advancement in technology and significant downturn in the Company's stock price.

b. Asset retirement obligations

The Group evaluates and recognises, on a regular basis, the fair values of fixed assets and obligations which arise from future reinstatement of leased properties at end of lease terms. To establish the fair values of the asset retirement obligations, estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the types of leased properties, probability of renewal of lease terms and restoration costs. The discount rate used is referenced to the Group's incremental borrowing rate.

c. Recognition of intangible asset – 3G Licence

In order to measure the intangible asset, HKAS 39 Financial Instruments: Recognition and Measurement is applied for recognition of the minimum annual fee and royalty payments as they constitute a contractual obligation to deliver cash and, hence, should be considered a financial liability. To establish the fair value of the licence, management recognises the contractual obligation up to the minimum annual fee and royalty payments and the discount rate used is referenced to the Group's historical weighted average cost of capital.

d. Impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to identify any indications that the following assets have not become impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— intangible assets; and
— financial assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, in respect of intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the consolidated profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date. Such information is particularly significant as it relates to the Group's telecommunications businesses in Hong Kong.

If an indication of impairment is identified, such information is further subjected to an exercise that requires the Group to estimate the recoverable value, representing the greater of the net selling price of such asset and its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

3 FINANCIAL RISK MANAGEMENT

a. Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31st December 2005 as follows:

	2005		2004	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000 (Restated) (Note 15)	Fair value HK$'000 (Restated) (Note 15)
3G Licence fees liability	582,334	582,334	532,460	532,460
Loans from fellow subsidiaries	1,203,780	1,203,780	—	—
Long-term vendor loans	—	—	603,148	597,199
Rental deposits (Note (i))	48,912	48,912	—	—
Subscriptions received in advance (Note (ii))	74,415	74,415	69,786	69,786
Trade receivables, net	76,508	76,508	73,665	73,665
Prepayments, other deposits and receivables	265,082	265,082	64,749	64,749
Amounts due from fellow subsidiaries	2,506	2,506	—	—

(i) Carrying amounts of rental deposits of HK$25,302,000 (2004: Nil) and HK$23,610,000 (2004: Nil) are classified under "Deposits and prepayments" in non-current assets and "Deposits, prepayments and other receivables" in current assets on the consolidated balance sheet, respectively.

(ii) Carrying amounts of subscriptions received in advance of HK$2,359,000 (2004: HK$939,000) and HK$72,056,000 (2004: HK$68,847,000) are classified under long-term liabilities and current liabilities on the consolidated balance sheet, respectively.

b. Estimation of fair values

The fair values of financial instruments are estimated set out below:

The fair values of financial instruments that are not traded in active markets are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine the fair values for the remaining financial instruments.

The nominal values less impairment provisions for trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

Notes to the Summary Accounts

4 SEGMENT INFORMATION

The Group is principally engaged in two business segments in Hong Kong, namely, mobile services and sales of mobile phones and accessories.

	Turnover		Contribution to profit/(loss) from operations	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000 (Restated) (Note 15)
Moblie services	993,481	1,031,689	(88,913)	80,910
Sales of mobile phones and accessories	165,958	126,920	(66,684)	(50,197)
	1,159,439	1,158,609	(155,577)	30,713

5 FINANCE COSTS

	2005 HK$'000	2004 HK$'000 (Restated) (Note 15)
Interest on bank loans	—	434
Interest on long-term vendor loans:		
Wholly repayable within five years	22,614	983
Not wholly repayable within five years	—	18,632
Interest on loans from fellow subsidiaries:		
Wholly repayable within five years	22,788	—
Interest element of finance lease payments	97	—
Other incidental borrowing costs	20,927	11,794
Accretion expenses:		
3G Licence fees liability	49,874	—
Asset retirement obilgations	822	—
Total financing costs incurred	117,122	31,843
Amounts capitalised in fixed assets in the course of construction:		
Interest expenses	(23,855)	(932)
Other incidental borrowing costs	(573)	(396)
Total financing costs capitalised to fixed assets	(24,428)	(1,328)
Amounts capitalised in intangible assets prior to the assets being ready for use:		
Accretion expenses	(49,874)	—
Other incidental borrowing costs	(740)	(4,215)
Total financing costs capitalised to intangible assets	(50,614)	(4,215)
	42,080	26,300

Accretion expenses represented changes in 3G Licence fees liability and asset retirement obligations due to the passage of time calculated by applying the effective interest method of allocation to the amount of the liability at the beginning of the period.

Interest expenses capitalised in fixed assets were incurred for the loans drawn down on the equipment supply facility provided by a 3G network vendor and fellow subsidiaries.

Other incidental borrowing costs mainly represented commitment fees, finance charges and amortisation of deferred charges incurred in arranging the long-term and other loans from fellow subsidiaries. As described in note 12, the Group fully settled all vendor loans in July 2005, and the unamortised facility transaction costs of HK$9,653,000 were charged to the consolidated profit and loss account.

6 (LOSS)/EARNINGS PER SHARE

a Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss for the year of approximately HK$196,981,000 (2004 (Restated): Profit of HK$4,373,000) and the 2,990,000,000 shares (2004: 2,990,000,000 shares) in issue during the year.

b Diluted (loss)/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 2005 and 2004 since:

(i) the exercise prices for the share options were above the average fair value of the shares; and/or

(ii) as at 31st December 2005, the Group has no outstanding share options as all outstanding share options had either been cancelled or had lapsed under the terms of the Company's share option scheme by 9th August 2005, being one month after the date on which the unconditional general cash offer made by PCCW Mobile became unconditional.

7 SALARIES AND RELATED COSTS

Salaries and related costs for the year ended 31st December 2005, including directors' fees and emoluments, as set out in note 8, are as follows:

	2005 HK$'000	2004 HK$'000
Salaries and allowances	114,621	122,367
Bonuses	13,600	—
Retirement scheme contributions	7,313	6,522
Termination benefits	4,509	—
	140,043	128,889

Notes to the Summary Accounts

8 DIRECTORS' AND MANAGEMENT EMOLUMENTS

a Directors' emoluments

The aggregate amounts of emoluments to directors of the Company in 2005 are as follows:

	2005			
Directors	Fees HK$'000	Salary, other allowances and benefits-in-kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Richard John Siemens (Note i)	—	867	18	885
Cheng Wai Sun, Edward (Note i)	—	867	18	885
William Bruce Hicks (Note i)	—	2,811	15	2,826
Kuldeep Saran (Note i)	—	867	18	885
Leung Chun Keung, Andrew (Note i)	—	867	18	885
Alexander Anthony Arena (Note ii)	—	—	—	—
Chan Kee Sun, Tom (Note ii)	—	—	—	—
Chan Wing Wa (Note ii)	—	—	—	—
Chow Ding Man (Note ii)	—	—	—	—
Hui Hon Hing, Susanna (Note ii)	—	—	—	—
Kwok Yuen Man, Marisa (Note iii)	—	—	—	—
John William Crawford	200	—	—	200
Henry Michael Pearson Miles	200	—	—	200
Robert John Richard Owen	200	—	—	200
Kenneth Michael Katz (Note i)	—	—	—	—
Zheng Hongqing (Note iv)	—	—	—	—
	600	6,279	87	6,966

Notes:

i. Resigned on 29th July 2005.

ii. Appointed on 8th July 2005.

iii. Appointed on 8th July 2005 and resigned on 28th February 2006.

iv. Resigned on 16th January 2006.

The aggregate amounts of emoluments to directors of the Company in 2004 are as follows:

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

Notes:

i. Resigned on 24th September 2004.

ii. Appointed on 16th January 2004.

During the year no options were granted to or exercised by any director (2004: Nil) and no directors waived the right to receive any emoluments during the year.

The Remuneration Committee was established in January 2000 and is responsible for reviewing the remuneration of the directors and officers of the Company and other matters relating to remuneration, as directed by the Board from time to time. The committee's authority, duties and composition are specified in its terms of reference, which are reviewed by the Board on an annual basis.

b Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2004: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: four) individuals during the year are as follows:

	2005 HK$'000	2004 HK$'000
Salaries, other allowances and benefits-in-kind	7,068	6,550
Retirement scheme contributions	120	120
Compensation for loss of office - contractual payment	—	168
	7,188	6,838

The emoluments of these four (2004: four) individuals fell within the following bands:

Emolument bands (including compensation for loss of office)	Number of individuals 2005	2004
HK$1,500,001 — HK$2,000,000	3	4
HK$2,000,001 — HK$2,500,000	1	—

9 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 2005, as previously reported	2,238,571	7,010	17,485	235,724	2,724	356,072	2,857,586
Prior year adjustment arising from adoption of new accounting standard for intangible assets (Note 1(b))	(163,369)	—	—	—	—	—	(163,369)
As 1st January 2005, as restated	2,075,202	7,010	17,485	235,724	2,724	356,072	2,694,217
Additions	430,445	1	215	24,135	—	91,493	546,289
Disposals	—	(6)	(1,023)	(4,552)	—	(4,763)	(10,344)
Exchange differences	—	19	88	86	4	85	282
At 31st December 2005	2,505,647	7,024	16,765	255,393	2,728	442,887	3,230,444
Accumulated depreciation							
At 1st January 2005	1,103,804	5,997	13,196	211,569	2,146	292,558	1,629,270
Charge for the year	190,699	386	1,728	7,022	237	25,867	225,939
Disposals	—	(6)	(1,000)	(4,480)	—	(4,691)	(10,177)
Exchange differences	—	9	50	36	2	60	157
At 31st December 2005	1,294,503	6,386	13,974	214,147	2,385	313,794	1,845,189
Net book value							
At 31st December 2005	1,211,144	638	2,791	41,246	343	129,093	1,385,255
At 1st January 2005, as restated	971,398	1,013	4,289	24,155	578	63,514	1,064,947

Notes to the Summary Accounts

	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, as previously reported	1,940,678	6,649	17,972	222,992	2,437	319,966	2,510,694
Prior year adjustment arising from adoption of new accounting standard for intangible assets (Note 1(b))	(109,154)	—	—	—	—	—	(109,154)
At 1st January 2004, as restated	1,831,524	6,649	17,972	222,992	2,437	319,966	2,401,540
Additions	244,183	375	605	12,921	287	42,977	301,348
Disposals	(505)	(14)	(1,092)	(189)	—	(6,871)	(8,671)
At 31st December 2004, as restated	2,075,202	7,010	17,485	235,724	2,724	356,072	2,694,217
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, as restated	971,398	1,013	4,289	24,155	578	63,514	1,064,947
At 1st January 2004, as restated	918,618	1,449	5,984	22,780	527	43,387	992,745

Expenditures of HK$40,705,000 (2004: HK$29,965,000) and borrowing costs of HK$24,428,000 (2004 (Restated): HK$1,328,000) were capitalised as fixed assets in the course of constructing the 3G network.

During the year, the Group reviewed the estimated useful lives of all fixed assets, and changed the estimated useful lives of the 2G network equipment from the shorter of 10 years or the lease period of 1 to 3 years to 5 to 10 years. The effect of such change in accounting estimate is set out in note 1(c).

During the year, no depreciation has been provided for network equipment, computer equipment and leasehold improvements for the provision of 3G services, totalling HK$658,741,000 (2004 (Restated): HK$247,481,000), as these assets were not ready for their intended use at the balance sheet date.

Computer equipment includes the following amounts where the Group is a lessee under a finance lease:

	2005 HK$'000	2004 HK$'000
Cost – capitalised finance leases	3,044	—
Accumulated depreciation	(761)	—
Net book value	2,283	—

10 INTANGIBLE ASSETS

	3G Licence HK$'000	Subscriber acquisition costs HK$'000	Total HK$'000
Cost			
At 1st January 2005, as previously reported	—	—	—
Prior year adjustments arising from adoption of new accounting standard for intangible assets (Note 1(b))	787,496	13,062	800,558
At 1st January 2005, as restated	787,496	13,062	800,558
Additions	50,614	34,602	85,216
Write-offs	—	(25,776)	(25,776)
At 31st December 2005	838,110	21,888	859,998
Amortisation			
At 1st January 2005, as previously reported	—	—	—
Prior year adjustments arising from adoption of new accounting standard for intangible assets (Note 1(b))	—	6,266	6,266
At 1st January 2005, as restated	—	6,266	6,266
Additions	—	31,592	31,592
Write-offs	—	(25,776)	(25,776)
At 31st December 2005	—	12,082	12,082
Net book value			
At 31st December 2005	838,110	9,806	847,916
At 1st January 2005, as restated	787,496	6,796	794,292

	3G Licence HK$'000	Subscriber acquisition costs HK$'000	Total HK$'000
Cost			
At 1st January 2004, as previously reported	—	—	—
Prior year adjustments arising from adoption of new accounting standard for intangible assets (Note 1(b))	250,821	18,252	269,073
At 1st January 2004, as restated	250,821	18,252	269,073
Additions	536,675	24,807	561,482
Write-offs	—	(29,997)	(29,997)
At 31st December 2004, as restated	787,496	13,062	800,558
Amortisation			
At 1st January 2004, as previously reported	—	—	—
Prior year adjustments arising from adoption of new accounting standard for intangible assets (Note 1(b))	—	10,285	10,285
At 1st January 2004, as restated	—	10,285	10,285
Additions	—	25,978	25,978
Write-offs	—	(29,997)	(29,997)
At 31st December 2004, as restated	—	6,266	6,266
Net book value			
At 31st December 2004, as restated	787,496	6,796	794,292
At 1st January 2004, as restated	250,821	7,967	258,788

Finance costs of HK$50,614,000 (2004 (Restated): HK$4,215,000) were capitalised as intangible assets prior to the assets being ready for use.

11 SHARE CAPITAL

	2005 HK$'000	2004 HK$'000
Authorised:		
10,000,000,000 (2004: 10,000,000,000) ordinary shares of HK$0.10 each	1,000,000	1,000,000
Issued and fully paid:		
2,990,000,000 (2004: 2,990,000,000) ordinary shares of HK$0.10 each	299,000	299,000

Share option scheme

No share options have been granted or exercised under the Share Option Scheme adopted on 22nd May 2002 during the year ended 31st December 2005 (2004: Nil). All outstanding share options had either been cancelled or had lapsed under the terms of the Company's share option scheme adopted on 1st March 2000 and terminated on 22nd May 2002 ("Share Option Scheme") by 9th August 2005, being one month after the date on which the unconditional general cash offer made by PCCW became unconditional.

Details of the share options outstanding under the Share Option Scheme and movements during the year ended 31st December 2005 are as follows:

	Options held at 1st January 2005	Options lapsed during the year(2)	Options cancelled during the year(3)	Options held at 31st December 2005	Exercise price HK$	Grant date (1)	Exercisable until (3)
Continuous contract employees	13,194,076	(561,802)	(12,632,274)	—	3.05	23/03/2000	N/A
	13,737,971	(761,634)	(12,976,337)	—	1.01	31/05/2000	N/A
	255,844	(99,915)	(155,929)	—	3.05	31/05/2000	N/A
	1,442,198	(208,307)	(1,233,891)	—	1.01	19/01/2001	N/A
	28,630,089	(1,631,658)	(26,998,431)	—			

Notes:

(1) Of the share options granted, 40% became exercisable after one year from the grant date and 30% per annum during the following two years.

(2) These share options lapsed during the year upon the cessation of employment of certain employees.

(3) All outstanding share options had either been cancelled or had lapsed under the terms of the Company's Share Option Scheme by 9th August 2005, being one month after the date on which the unconditional general cash offer made by PCCW Mobile became unconditioned.

12 LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

	2005 HK$'000	2004 HK$'000
Loans from fellow subsidiaries – unsecured (note a)	1,203,780	—
Long-term vendor loans – secured (note a)	—	603,148
Obligations under finance leases (note b)	2,178	—
	1,205,958	603,148
Less: Deferred charges	—	(10,408)
	1,205,958	592,740
Current portion of obligations under finance leases (note b)	(937)	—
Long-term portion	1,205,021	592,740
Representing:		
Long-term vendor loans	—	592,740
Loans from fellow subsidiaries	1,203,780	—
Obligations under finance leases – long term portion	1,241	—
	1,205,021	592,740

a. Loans from fellow subsidiaries and vendor loans

At 31st December 2005, the Group's long-term loans, excluding obligations under finance leases, were repayable as follows:

	Loans from fellow subsidiaries		Long-term vendor loans	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Within one year	—	—	—	—
In the second year	—	—	—	75,000
In the third to fifth year	1,203,780	—	—	239,074
After the fifth year	—	—	—	289,074
	1,203,780	—	—	603,148

The effective interest rates at the balance sheet date were as follows:

	2005	2004
Long-term vendor loans:		
General facility	—	4.16%
Equipment facility	—	4.31%
Loans from fellow subsidiaries	5.50%	—

The carrying amounts and fair values of the Group's long-term loans were as follows:

	2005		2004	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Loans from fellow subsidiaries	1,203,780	1,203,780	—	—
Long-term vendor loans	—	—	603,148	597,199

(i) Settlement of vendor loans

On 8th July 2005, Mandarin Communications Limited, an indirect wholly owned subsidiary of the Company, gave a written notice to Huawei Tech. Investment Co., Limited of its intention to fully repay all loans and performance bonds outstanding under the Facility Agreement on 29th July 2005, and to cancel any available facilities under the Facility Agreement. On 29th July 2005, the Group fully repaid all the outstanding principal amounts, accrued interest, commitment fees and early repayment charges under the Facility Agreement aggregating HK$873,780,000 through inter-company loan facilities provided by a subsidiary of PCCW (see note (ii)).

(ii) Loans from fellow subsidiaries

On 27th July 2005, PCCW-HKT Limited, an indirect wholly-owned subsidiary of PCCW, and the Group entered into a long-term inter-company facility, pursuant to which PCCW-HKT Limited provided the Group with the required funding for full repayment of all the outstanding loan principal and accrued interest under the Facility Agreement as at 29th July 2005. The inter-company facility comprises the following facilities:

- HK$440,000,000 general facility with a term of 3 years; and
- HK$460,000,000 equipment facility with a term of 5 years.

As at 31st December 2005, loans totalling HK$873,780,000 were drawn in respect of these facilities. The loans are unsecured and bear interest at a floating rate with reference to the Hong Kong Dollar Prime Rate plus a margin of 0.25% per annum.

As at 31st December 2005, PCCW-HKT Limited and PCCW Services Limited, a direct wholly-owned subsidiary of PCCW, entered into various additional facility agreements all of a term of 3 years with the Group, in respect of facilities in the aggregate amount of HK$1,003,500,000. The facilities are to be used, in stated amounts, for specified items in developing the 3G network and for upgrade of the 2G network. As at 31st December 2005, loans totalling HK$330,000,000 were drawn in respect of these facilities. The loans are unsecured and bear interest at a floating rate with reference to the Hong Kong Dollar Prime Rate plus a margin of 0.25% per annum.

The carrying amounts of the loans from fellow subsidiaries are denominated in Hong Kong Dollars.

Prior to 29th July 2005, PCCW arranged with a bank to provide performance bonds in the aggregate amount of HK$210,746,000 for full replacement of the performance bonds obtained under the Facility Agreement. Effective on 22nd October 2005, the amount of the performance bonds was increased to HK$301,243,000 to comply with the licence conditions of the 3G Licence. The performance bonds are interest bearing at a fixed rate of 0.675% per annum.

b. Obligations under finance leases

	2005 HK$'000	2004 HK$'000
Obligations under finance leases – minimum lease payments:		
Not later than 1 year	1,028	—
Later than 1 year and not later than 5 years	1,284	—
	2,312	—
Future finance charges on finance leases	(134)	—
Present value of finance lease liabilities	2,178	—
The present value of obligations under finance lease liabilities is as follows:		
Not later than 1 year	937	—
Later than 1 year and not later than 5 years	1,241	—
	2,178	—

The effective interest rate at the balance sheet date was 5.19% (2004: Nil).

13 RELATED PARTY TRANSACTIONS

For the purpose of these summary accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities, and including entities which are under the significant influence of related parties of the Group where the parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

The Group is controlled by PCCW Mobile, an indirect wholly-owned subsidiary of PCCW, established under the laws of the British Virgin Islands, which owns approximately 79.35% of the Company's shares at the balance sheet date.

The ultimate holding company of the Company is, therefore, deemed to be PCCW which is incorporated in Hong Kong.

The following sets out related party balances together with a summary of significant related party transactions which were carried out in the ordinary course of the Group's business:

	2005 HK$'000	2004 HK$'000
a. Purchases of services from fellow subsidiaries (Note i):		
Interconnection charges	20,593	—
Leased lines rental charges	26,375	—
Dealer commission charges	5,802	—
	52,770	—
b. Sales of goods to fellow subsidiaries (Note i):		
Sales of mobile phones	19,742	—
Sales of trade-in mobile phones	1,065	—
	20,807	—
c. Finance costs incurred on facilities from (Note ii):		
Fellow subsidiaries	22,789	—
Ultimate holding company	2,380	—
	25,169	—

(i) Terms of the transactions were negotiated and agreed by both parties in the ordinary course of business except for those services in which the rates are regulated by the OFTA.

(ii) Finance costs include interest expenses incurred on loans from fellow subsidiaries and commission fees in respect of the performance bond (Note 5).

d. Year end balances arising from loans, purchases of services and sales of goods are as follows:

	2005 HK$'000	2004 HK$'000
Amounts due from fellow subsidiaries (Note i)	2,506	—
Amounts due to fellow subsidiaries (Note i)	(7,183)	—
Amount due to ultimate holding company (Note i)	(2,033)	—
Loans from fellow subsidiaries (Note ii)	(1,203,780)	—

(i) Balances with fellow subsidiaries and the ultimate holding company are unsecured, non-interest bearing and have no fixed repayment terms.

(ii) The terms of loans from fellow subsidiaries are set out in note 12.

e. Key management compensation:

	2005 HK$'000	2004 HK$'000
Salaries and other short-term employee benefits	20,541	22,161
Termination benefits	116	168
Other long-term benefits	407	442
	21,064	22,771

14 SUBSEQUENT EVENTS

As the scheme of arrangement in relation to the proposed privatisation of the Company was not approved at the court meeting of the Company's independent shareholders held on 15th December 2005, the Company was required to restore sufficient public float of at least 25% of its issued share capital, as required under Rule 8.08 of the Listing Rules, on or before 15th January 2006. The Company applied for and was granted three additional one-month waivers from strict compliance with such requirement for further periods from 16th January to 15th February, from 16th February to 15th March and from 16th March to 15th April 2006.

On 10th January 2006, the Group entered into various transactions with the PCCW Group relating to several aspects of the Group's telecommunications business, including the provision of distribution services to the Group, wholesale of 2G and 3G mobile telecommunications services to the PCCW Group, the provision of IDD wholesale service to the Group, a handset mobile trade-in programme, the provision of call centre services for the benefit of the Group, the provision of systems integration and operations to the Group, the sale of mobile plans by the Group to the PCCW Group, the provision of office space to the Group, the provision of facility management services to the Group, offer letters in respect of telephone exchanges, design and build of mobile switching centres for the Group, and the provision of logistics support by the PCCW Group. Each of these transactions constitutes a continuing connected transaction of the Company under the Listing Rules. Details were set out in the announcement dated 12th January 2006.

On 10th January 2006, PCCW Group introduced 3G voice and data services by reselling SUNDAY's airtime for a 6-month trial period indicating that the 3G network had become fully operational for commercial services and, thereafter, will need to begin depreciating and amortising the 3G-related assets.

Notes to the Summary Accounts

15 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies as disclosed in note 1(b).

16 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31ST DECEMBER 2005

Up to the date of approval of these accounts, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31st December 2005 and which have not been adopted in these accounts:

- HKFRS-Int 4 “Determining whether an Arrangement contains a Lease”
- Amendments to HKAS 19 “Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures”
- Amendments to HKAS 39 “Financial Instruments: Recognition and Measurements”:
  - — Cash Flow Hedge Accounting of Forecast Intra-group Transactions
  - — The Fair Value Option
  - — Financial Guarantee Contracts
- Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:
  - — HKAS 1 “Presentation of Financial Statements”
  - — HKAS 27 “Consolidated and Separate Financial Statements”
  - — HKFRS 3 “Business Combinations”
- HKFRS 7 “Financial Instruments: Disclosures”
- Amendments to HKAS 1 “Presentation of Financial Statements – Capital Disclosures”

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 which came into effect on 1st December 2005 is only applicable to accounts for periods beginning on or after 1st January 2006.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations are expected to be in the period of initial application, but is not yet in a position to state whether they will have a significant impact on the Group’s results of operations and financial position.