SmarTone Telecommunications Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 315)

2007 / 2008 ANNUAL RESULTS ANNOUNCEMENT

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

- Mobile service revenue increased by 9% to $3,433 million
- EBITDA registered a 16% growth to $1,088 million
- Profit attributable to equity holders increased by 75% to $276 million
- Final dividend of 20 cents per share is proposed. Total dividend for the year will be 48 cents per share

CHAIRMAN'S STATEMENT

I am pleased to report the results of the Group for the year ended 30 June 2008.

Financial Highlights

Revenues increased modestly to $4,073 million, with the 9% growth in mobile service revenue offset by the decline in handset revenue. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 16% to $1,088 million. Profit attributable to equity holders grew by 75% to $276 million. Earnings per share amounted to 47.8 cents.

Dividend

Your Board proposes a final dividend of 20 cents per share. Together with the interim dividend of 28 cents per share, total dividend for the year will be 48 cents per share, representing a payout ratio of 100%.

Business Review

Hong Kong

SmarTone-Vodafone focuses on stimulating mobile revenue growth by delivering unrivalled experience at exceptional value to target customer segments. We continue to innovate vigorously to provide new compelling and differentiated multimedia services. In the year, we have also expanded beyond mobile to provide innovative new services in the fixed-line and broadband markets.

The year under review saw continued increase in mobile service revenue, driven mainly by improving ARPU and customer profile. Data revenue showed encouraging growth and its contribution to mobile service revenue was 23.2%, a significant increase compared to 18.5% for the previous year. This growth was predominantly driven by the increasing adoption of multimedia services, which accounted for two-thirds of total data revenue.

Blended ARPU registered a 5% growth to $237 and postpaid ARPU increased by 9% to $284. Postpaid churn rate reduced from 2.3% in June 2007 to 1.7% in June 2008. Total mobile customer number remained broadly stable at 1,118,000 as of 30 June 2008. Our 3G customer base is expanding and currently represents 47% of postpaid customers.

During the year, SmarTone-Vodafone continued to introduce new best-in-class multimedia services, including MusicXS – the world's first subscription based unlimited music download service for both mobile and PC; Market Watch – a real-time digest of Hong Kong stock market action in a TV-like format; as well as FoneTV – a personal mobile TV service offering a rich variety of re-broadcast live TV channels, as well as made-for-mobile programming. Our commitment to deliver superior customer experience has been taken to another level with the opening of our first Experience Store in Central. Built on SmarTone-Vodafone's leadership in retail design and service, the new store showcases our numerous services, and demonstrates how easy they are to use and how useful they are in customers' everyday lives. The Experience Store offers customers a comfortable and engaging environment to explore and experience our services through direct hands-on trial, services workshop and even personal coaching.

With the emergence of new technologies and the convergence of mobile and Internet, traditional boundaries in the telecommunications market are breaking down. Customers' needs are changing all the time and they increasingly demand communications services that span mobile, fixed-line and broadband. Recently, SmarTone-Vodafone has taken a step forward by introducing HomePhone+, a wireless fixed-line service for both residential and business customers. With an innovative and rich service set, it offers a fixed-line experience unprecedented in Hong Kong with its remarkable ease of use. In mobile broadband, we have led the market by introducing new tiered price plans for different speeds. This brings our price points close to that of fixed broadband, allowing us to address a much wider market.

We further enhanced our HSPA network during the year to improve coverage, quality and capacity. Anticipating the vastly increased bandwidth requirements brought on by new services, we are well on the way in our migration to an all-IP network infrastructure. Upgrade of billing and customer management systems have also been completed in order to enhance operational efficiency. These initiatives will result in a short-term increase in operating expense and capital expenditure, but an improved cost structure going forward.

Macau

Mobile business in Macau continued to grow, with service revenue and profits registering an encouraging increase. With the slowing Macau economy, there will be increasing pressure on the business for the year ending 30 June 2009.

Prospects

Looking ahead, with intensifying price competition, growth in service revenue is expected to slow down. Costs will increase further, driven mainly by the provision of increased bandwidth, increasing handset subsidies, as well as general cost inflation. Together with lower interest income as a result of the decrease in net cash balance and lower interest rates, profits for the year ending 30 June 2009 are expected to come under pressure.

With a solid foundation in mobile, we are establishing SmarTone-Vodafone as the premium quality provider of total communications services in Hong Kong, leveraging our best-in-class service pillars – segmented services and products, superior network performance and unbeatable customer experience. This strategy should enable your Company to compete more effectively in the market and be better positioned in the increasingly integrated communications industry over the long term.

Appreciation

During the year, Mr. Andrew Sing-tak So resigned as Non-Executive Director of your Company and Mr. Peter David Sullivan have joined the Board as Independent Non-Executive Director. In July 2008, Mr. Thomas Hon-wah Siu was appointed Non-Executive Director of your Company. I would like to thank Mr. So for his contributions and advice, and welcome Mr. Sullivan and 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, 28 August 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial results

Revenues grew slightly by 1% to $4,073 million (2006/07: $4,039 million), consisting of a 9% increase in mobile service revenue, partly offset by a 28% decline in mobile telephone and accessory sales. Driven by the increase in ARPU and customer base, mobile service revenue rose by 9%, outweighing increases in cost of services provided and operating expenses of 7% and 6% respectively. Mobile telephone and accessory sales declined by 28%, which was matched by a 29% fall in cost of inventories sold. As a result, earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 16% to $1,088 million (2006/07: $940 million). After a 2% decrease in depreciation, amortisation and loss on disposal, operating profit surged by 88% to $344 million (2006/07: $183 million). Finance income fell by 23%. Finance costs, comprising mainly of accretion expenses in relation to mobile licence fees, rose by 7%. Profit attributable to equity holders of the Company reported an encouraging 75% growth to $276 million (2006/07: $158 million).

Revenues grew by 1% to $4,073 million (2006/07: $4,039 million).

- Mobile service revenue grew by $287 million or 9% to $3,433 million (2006/07: $3,146 million) driven by higher ARPU and a slightly larger customer base. Growth in revenue from data, roaming and prepaid services offset the impact of lower local voice revenue, reflecting the competitive pressure on basic tariffs in the market.

  Hong Kong blended ARPU rose by 5% to $237 (2006/07: $225), reflecting continued improvement in the quality of the Group's customer base.

  Hong Kong postpaid ARPU reported an encouraging 9% growth to $284 (2006/07: $261) despite sustained downward pricing pressures.

  Data service revenue is increasingly important to the Group's revenue growth. Data service revenue achieved a strong 36% increase, attesting to increasing penetration of 3G and HSPA devices, and growing adoption of multimedia services.

- Mobile telephone and accessory sales fell by $252 million or 28% to $640 million (2006/07: $893 million) largely due to lower average unit handset price, as a result of severe market competition.

Cost of inventories sold and services provided decreased by 14% to $1,324 million (2006/07: $1,533 million). Cost of inventories sold fell by 29% to $624 million (2006/07: $881 million) in line with the decline in mobile telephone and accessory sales. Cost of services provided grew by 7% to $700 million (2006/07: $652 million) driven by increased usage, resulted in higher interconnect charges, data service costs and roaming partner charges.

Operating expenses, excluding depreciation, amortisation and loss on disposal, rose by 6% to $1,662 million (2006/07: $1,566 million). Network operating costs increased by 9% as a result of the Group's continuing enhancement of network capacity, quality and coverage. Sales and marketing expenses decreased by 4% primarily due to lower advertising spending. Staff costs, rental and utilities, and other operating expenses increased by 8% collectively, largely driven by upward cost pressure in the labour and property markets.

Depreciation and loss on disposal of fixed assets fell by 5% to $460 million (2006/07: $482 million) as certain network equipment became fully depreciated during the year.

Handset subsidy amortisation rose by 3% to $219 million (2006/07: $212 million). With the addition of handset subsidy capitalised of $280 million (2006/07: $193 million), unamortised handset subsidy increased by $61 million to $211 million at 30 June 2008 (30 June 2007: $150 million).

Mobile licence fee amortisation increased by 2% to $64 million (2006/07: $63 million), attributable to the full year impact of amortisation relating to the PCS licence renewed in September 2006.

Finance income decreased by 23% to $77 million (2006/07: $100 million) attributable to lower average balance of bank deposits and debt securities, and reduced average returns thereon as a result of significantly lower interest rates. Finance costs, comprised mainly of accretion expenses for mobile licence fee liabilities, rose by 7% to $84 million (2006/07: $78 million).

Macau operations continued to grow and delivered satisfactory results for the year ended 30 June 2008. Revenues grew by 30% to $281 million (2006/07: $216 million). This revenue growth exceeded the 15% increase in cost of inventories sold and services provided, operating expenses, depreciation and amortisation collectively. As a result, operating profit grew by 58% to $121 million (2006/07: $76 million).

Capital structure, liquidity and financial resources

There had been no major changes to the Group's capital structure during the year ended 30 June 2008. The Group was financed by share capital and internally generated funds during the year under review. The cash resources of the Group remain strong with cash and bank balances, and investments in held-to-maturity debt securities of $1,677 million at 30 June 2008 (30 June 2007: $2,348 million).

During the year ended 30 June 2008, the Group's net cash generated from operating activities and interest received amounted to $1,089 million and $79 million respectively. The Group's major outflows of funds during the year under review were dividends paid to the Company's equity holders and payments for purchase of fixed assets, additions of handset subsidies, mobile licence fees and repurchase of shares.

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 dollar or United States dollar. 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 30 June 2008 and 2007, 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. As at 30 June 2008, the total amount of pledged deposits was $333 million (30 June 2007: $324 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 30 June 2008 under these performance bonds was $454 million (30 June 2007: $404 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 1,790 full-time employees as at 30 June 2008 (30 June 2007: 1,692), with the majority of them based in Hong Kong. Total staff costs were $430 million for the year ended 30 June 2008 (2006/07: $395 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 year ended 30 June 2008, no share options were granted, 979,000 options were exercised to subscribe for 979,000 shares in the Company, and 388,000 share options were cancelled or lapsed. At 30 June 2008, 9,286,500 share options (30 June 2007: 10,653,500) were outstanding.

RESULTS

The directors of SmarTone Telecommunications Holdings Limited (the "Company") are pleased to present the consolidated profit and loss account for the year ended 30 June 2008 and the consolidated balance sheet as at 30 June 2008 of the Company and its subsidiaries (the "Group").

Consolidated Profit and Loss Account

For the year ended 30 June 2008

	Note	**2008 $000**	2007 $000
Mobile services		**3,432,943**	3,146,057
Mobile telephone and accessory sales		**640,479**	892,865
Revenues	4	**4,073,422**	4,038,922
Cost of inventories sold and services provided		**(1,324,071)**	(1,532,749)
Network costs		**(667,841)**	(614,831)
Staff costs		**(429,727)**	(395,119)
Sales and marketing expenses		**(269,010)**	(281,451)
Rental and utilities		**(154,802)**	(143,406)
Other operating expenses		**(140,264)**	(131,007)
Depreciation, amortisation and loss on disposal		**(743,392)**	(757,047)
Operating profit		**344,315**	183,312
Finance income	5	**76,603**	99,570
Finance costs	6	**(83,598)**	(78,293)
Profit before income tax	7	**337,320**	204,589
Income tax expense	8 (a)	**(31,342)**	(27,664)
Profit after income tax		**305,978**	176,925
Attributable to:			
Equity holders of the Company		**275,755**	157,563
Minority interests		**30,223**	19,362
		305,978	176,925
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents per share)	9		
Basic		**47.8**	27.1
Diluted		**47.8**	27.1
Dividends	10		
Interim dividend paid		**161,115**	–
Final dividend proposed		**114,572**	156,387
Special cash dividend proposed		**–**	492,329
		275,687	648,716

Consolidated Balance Sheet

At 30 June 2008

	Note	**2008 $000**	2007 $000
Non-current assets			
Fixed assets		**1,846,948**	1,832,045
Interest in an associate		**1,812**	1,812
Financial investments		**95,823**	58,854
Intangible assets		**780,509**	783,925
Deposits and prepayments – non-current portion		**55,275**	47,673
		2,780,367	2,724,309
Current assets			
Inventories		**68,401**	75,066
Financial investments		–	31,340
Trade receivables	11	**201,351**	179,418
Deposits and prepayments – current portion		**103,317**	82,078
Other receivables		**52,708**	31,143
Cash and bank balances		**1,636,501**	2,316,455
		2,062,278	2,715,500
Current liabilities			
Trade payables	12	**161,766**	154,984
Other payables and accruals		**663,110**	711,787
Current income tax liabilities		**64,646**	31,612
Customers' deposits		**26,897**	31,312
Deferred income		**79,788**	79,549
Mobile licence fee liabilities – current portion		**73,500**	65,895
		1,069,707	1,075,139
Net current assets		**992,571**	1,640,361
Total assets less current liabilities		**3,772,938**	4,364,670
Non-current liabilities			
Asset retirement obligations		**52,687**	47,587
Mobile licence fee liabilities – non-current portion		**656,739**	649,809
Deferred income tax liabilities		**103,960**	129,613
Net assets		**2,959,552**	3,537,661
Capital and reserves			
Share capital		**57,312**	58,018
Reserves		**2,874,327**	3,452,526
Total equity attributable to equity holders of the Company		**2,931,639**	3,510,544
Minority interests		**27,913**	27,117
Total equity		**2,959,552**	3,537,661

1. General information

SmarTone Telecommunications Holdings Limited ("the Company") and its subsidiaries (together, the "Group") is principally engaged in the provision of mobile services and the sale of mobile telephones and accessories in Hong Kong and Macau.

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The adoption of new or revised HKFRS
For the year ended 30 June 2008, the Group adopted the new standards, amendments to published standards and interpretations of HKFRS below, which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosure
HKFRS 7	Financial Instruments: Disclosure
HK (IFRIC) – INT 10	Interim Financial Reporting and Impairment
HK (IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of Amendment to HKAS 1, HKFRS 7, and HK (IFRIC) Interpretation 10 and 11 did not have a material impact on the Group's financial statements other than on increase in disclosure. In summary:

- The amendments to HKFRS 7 and complementary amendment to HKAS 1 introduce new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

- HK (IFRIC) – INT 10 prohibits the impairment losses recognised in an interim period on goodwill and investment in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

- HK (IFRIC) – INT 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation does not have any impact on the Group's financial statements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting policies beginning on or after 1 July 2008 or later periods but which the Group has not early adopted, are as follows:

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combination [2]
HKFRS 8	Operating Segments [1]
HK (IFRIC) – INT 12	Service Concession Arrangements [3]
HK (IFRIC) – INT 13	Customer Loyalty Programmes [4]
HK (IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

Except for the following new standards, amendments and interpretations, these new standards, amendments and interpretations are not relevant to the Group:

HKAS 1 (Revised), "Presentation of Financial Statements"
HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 July 2009.

HKAS 23 (Revised), "Borrowing Costs"
The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 July 2009 but is currently not applicable to the Group as there are no qualifying assets.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements"
The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 July 2009.

HKFRS 2 (Amendment), "Share-based Payment Vesting Conditions and Cancellations"
The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 (Amendment) from 1 July 2010 and this standard does not have significant impact on the results of operations of the Group.

HKFRS 8, "Operating Segments"'
HKFRS 8 replaces HKAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 July 2009. The Group has already commenced on assessment of the impact of this new standard, but is not yet in a position to state whether this new standard would have a significant impact on its results of operations and financial position.

4 Segment reporting

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

	For the year ended 30 June 2008			
	Hong Kong $000	**Macau $000**	**Others $000**	**Consolidated $000**
Revenues	**3,826,516**	**280,562**	**(33,656)**	**4,073,422**
Operating profit/Segment result	**223,727**	**120,588**	**–**	**344,315**
Finance income				**76,603**
Finance costs				**(83,598)**
Profit before income tax				**337,320**
Income tax expense				**(31,342)**
Profit after income tax				**305,978**
Segment assets	**4,596,259**	**148,751**	**97,635**	**4,842,645**
Segment liabilities	**(1,682,619)**	**(31,868)**	**(168,606)**	**(1,883,093)**
Additions to fixed assets	**442,333**	**32,613**	**–**	**474,946**
Additions to intangible assets	**278,736**	**1,502**	**–**	**280,238**
Depreciation	**427,764**	**22,624**	**–**	**450,388**
Amortisation	**282,480**	**1,174**	**–**	**283,654**
Loss/(gain) on disposal of fixed assets	**9,571**	**(221)**	**–**	**9,350**
Impairment loss of trade receivables	**10,523**	**534**	**–**	**11,057**
(Reversal of impairment loss)/ impairment loss of inventories	**(1,676)**	**9**	**–**	**(1,667)**

	For the year ended 30 June 2007			
	Hong Kong $000	Macau $000	Others $000	Consolidated $000
Revenues	3,848,779	215,572	(25,429)	4,038,922
Operating profit/Segment result	106,566	76,425	321	183,312
Finance income				99,570
Finance costs				(78,293)
Profit before income tax				204,589
Income tax expense				(27,664)
Profit after income tax				176,925
Segment assets	5,227,723	120,080	92,006	5,439,809
Segment liabilities	(1,713,032)	(27,891)	(161,225)	(1,902,148)
Additions to fixed assets	362,940	26,718	–	389,658
Additions to intangible assets	258,520	961	–	259,481
Depreciation	451,738	16,990	–	468,728
Amortisation	274,679	836	–	275,515
Loss on disposal of fixed assets	12,757	47	–	12,804
Impairment loss of trade receivables	11,251	268	–	11,519
Impairment loss / (reversal of impairment loss) of inventories	8,174	(2)	–	8,172

Other segment assets consist of interest in an associate and financial investments.

Other segment liabilities consist of current income tax liabilities and deferred income tax liabilities.

5 Finance income

	2008 $000	2007 $000
Interest income from debt securities		
Listed	**143**	1,354
Unlisted	**–**	1,502
	143	2,856
Interest income from deposits with banks and other financial institutions	**73,228**	94,060
Accretion income	**3,232**	2,654
	76,603	99,570

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 year.

6 Finance costs

	2008 $000	2007 $000
Accretion expenses		
Asset retirement obligations	**3,166**	1,457
Mobile licence fee liabilities	**80,430**	76,834
Other borrowing costs	**2**	2
	83,598	78,293

Accretion expenses represent changes in the asset retirement obligations and mobile licence fee liabilities 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 year.

7 Profit before income tax

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

	2008 $000	2007 $000
Cost of inventories sold	**623,913**	880,731
Amortisation		
Handset subsidies	**219,271**	212,231
Mobile licence fees	**64,383**	63,284
Depreciation		
Owned fixed assets	**370,576**	389,338
Leased fixed assets	**79,812**	79,390
Operating lease rentals for land and buildings, transmission sites and leased lines	**611,331**	560,166
Auditors’ remuneration	**1,480**	1,480
Loss on disposal of fixed assets	**9,350**	12,804
Net exchange gain	**(1,815)**	(4,445)
Contributions to defined contribution plans included in staff costs*	**22,441**	19,412

* *Net of forfeited contributions of $2,292,000 (2007: $3,403,000).*

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 year. Income tax on overseas profits has been calculated on the estimated assessable profit for the year at the tax rates prevailing in the countries in which the Group operates.

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

	2008 $000	2007 $000
Current income tax		
Hong Kong profits tax	**43,138**	21,768
Overseas tax	**14,549**	9,152
(Over)/under provision in prior year tax charge		
Hong Kong profits tax	**(692)**	124
Deferred income tax	**(25,653)**	(3,380)
	31,342	27,664

b Reconciliation between income tax expense and accounting profit at Hong Kong tax rate:

	2008 $000	2007 $000
Profit before income tax	**337,320**	204,589
Notional tax on profit before income tax, calculated at Hong Kong tax rate of 16.5% (2007: 17.5%)	**55,658**	35,803
Effect on opening deferred tax balances resulting from a decrease in tax rate during the year	**(7,407)**	–
Effect of different tax rates in other countries	**(5,287)**	(3,948)
Expenses not deductible for tax purposes	**493**	72
Income not subject to tax	**(12,465)**	(17,785)
Tax losses for which no deferred income tax asset was recognised	**623**	66
Utilisation of previously unrecognised tax losses	**(31)**	(11,015)
(Over)/under provision in prior year	**(692)**	124
Temporary differences not recognised	**450**	24,347
Income tax expense	**31,342**	27,664

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 $275,755,000 (2007: $157,563,000).

The basic earnings per share is based on the weighted average number of shares in issue during the year of 576,920,845 (2007: 582,016,324). The diluted earnings per share is based on 577,410,448 (2007: 582,063,916) shares which is the weighted average number of shares in issue during the year plus the weighted average number of 489,603 (2007: 47,592) shares deemed to be issued at no consideration if all outstanding options had been exercised.

10 Dividends

	2008 $000	2007 $000
Interim dividend, paid, of 28 cents (2007: nil) per share	**161,115**	–
Final dividend, proposed, of 20 cents (2007: 27 cents) per share	**114,572**	156,387
Special cash dividend, proposed, of nil (2007: 85 cents) per share	**–**	492,329
	275,687	648,716

At a meeting held on 4 March 2008, the directors declared an interim dividend of 28 cents per share for the year ended 30 June 2008, which was paid on 15 April 2008 and has been reflected as an appropriation of retained profits for the year ended 30 June 2008.

At a meeting held on 28 August 2008, the directors proposed a final dividend of 20 cents per share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 30 June 2009.

The proposed final dividend is calculated based on the number of shares in issue at the date of approval of these financial statements.

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:

	2008 $000	2007 $000
Current to 30 days	**171,408**	159,535
31 – 60 days	**21,499**	15,304
61 – 90 days	**5,339**	3,365
Over 90 days	**3,105**	1,214
	201,351	179,418

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 $11,057,000 (2007: $11,519,000) for the impairment of its trade receivables during the year ended 30 June 2008. The loss has been included in other operating expenses in the consolidated profit and loss account.

12 Trade payables

An ageing analysis of trade payables is as follows:

	2008 $000	2007 $000
Current to 30 days	**93,400**	75,656
31 – 60 days	**49,912**	40,094
61 – 90 days	**10,855**	9,769
Over 90 days	**7,599**	29,465
	161,766	154,984

DIVIDENDS

The directors recommended the payment of a final dividend for the year ended 30 June 2008 of 20 cents per share (2006/07: 27 cents per share). The proposed final dividend, together with the interim dividend of 28 cents per share paid by the Company during the year (2006/07: nil), makes a total dividend for the year of 48 cents per share (2006/07: 27 cents per share).

Subject to approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be paid on or about 17 November 2008 to shareholders registered in the Company's register of members as at the close of business on 4 November 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 November 2008 to Friday, 7 November 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the aforesaid final dividend which is subject to approval at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 4 November 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2008, the Company repurchased 8,042,000 shares on the Stock Exchange of Hong Kong. These repurchased shares were cancelled. Details of the repurchases were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
		$	$	$
July 2007	968,500	9.20	8.85	8,702,000
October 2007	1,090,000	9.48	9.06	10,091,000
November 2007	1,916,000	9.34	7.24	14,898,000
December 2007	202,000	7.29	7.29	1,473,000
January 2008	1,570,000	7.22	6.95	11,130,000
March 2008	260,000	7.38	7.37	1,917,000
May 2008	629,000	8.00	7.88	4,977,000
June 2008	1,406,500	7.91	7.82	11,061,000
	8,042,000			64,249,000

The aggregate price of the repurchased shares (before expenses) in the amount of $64,249,000 has been charged against the retained profits and contributed surplus accounts. A sum equivalent to the nominal value of the repurchased shares amounting to $804,000 has been transferred from share capital to capital redemption reserve.

Save as disclosed above, at no time during the year ended 30 June 2008 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the full year financial statements and reports of the Group for the year ended 30 June 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 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 financial year ended 30 June 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 Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the CG Code.

Full details of the report on corporate governance will be set out in the Company's 2007/08 Annual Report.

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

Hong Kong, 28 August 2008

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.