



# **SmarTone Telecommunications Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 315)

## **2004/2005 INTERIM RESULTS ANNOUNCEMENT**

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

- Turnover increased by 18% to \$1,831 million
- EBITDA increased by 2% to \$455 million
- Profit attributable to shareholders decreased by 4% to \$226 million
- Interim dividend amounted to \$0.19 per share

### **CHAIRMAN’S STATEMENT**

SmarTone’s strong operational performance continued during the period with rising services revenue and ARPU amidst a highly competitive market. While the 3G costs have started to impact on financial results, your company is focused on leveraging its leading position in multimedia services to create longer term value using 3G.

### **Financial Highlights**

Turnover increased to \$1,831 million, representing a growth of 18% and 1% on the same period last year and the previous six months respectively. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) of \$455 million increased by 2% on the corresponding period last year but decreased by 3% on the previous six months. Profit attributable to shareholders was \$226 million, a decline of 4% and 2% compared with \$235 million for the same period last year and \$231 million for the preceding six months respectively. Earnings per share for the period amounted to \$0.39.

### **Dividend**

Your Board declares an interim dividend of \$0.19 per share, a decrease of 5% on \$0.20 for the previous year, in line with the decline in interim profit.

## Business Review

### *Hong Kong Mobile Business*

SmarTone maintains a strong operational performance in a market beset with continuing price erosion and constant promotions. Blended ARPU for the period of \$196 increased by 4% on the first half of last year and the previous six months. Postpaid ARPU rose to \$228, an increase of 10% and 6% on the same period last year and the preceding six months respectively. This reflects an improving customer profile and customers' increasing usage of data and roaming services. Services revenue increased on the back of higher ARPU, outweighing the impact of a small reduction in the number of customers to 1,033,000 at the end of December 2004. Churn rate improved from 2.6% in June 2004 to 2.4% in December 2004, and remained below the industry average. With the rapid rollout of the 3G radio network and the commercial launch of 3G-enabled services in December 2004, 3G costs have begun to impact on financial results.

The commercial launch of 3G-enabled services is a key milestone in SmarTone's quest for long-term revenue and profit growth through multimedia services. Offering faster speed, increased bandwidth and capacity as well as greater cost-efficiency, 3G allows much greater flexibility in delivering an enhanced customer experience and differentiation. SmarTone is well poised to extend its leadership in the continuing evolution of multimedia services with its strong customer propositions:

- *Differentiated content and services* — For consumers, SmarTone iN on 3G offers the greatest breadth and depth of relevant content and services. With richer propositions, it provides customers a more compelling experience in key areas such as sports, news, music and games. In addition, the SmarTone iN on 3G portal offers a richer browsing experience and more sophisticated navigation system for easier access to favourite content and services.

SmarTone PC Connect, your company's first 3G-enabled service for business users, is the best mobile working solution in the market. More than just a 3G / GPRS datacard, it comes with an on-screen console offering an intuitive interface to a range of services. Customers can enjoy high-speed and reliable access to the Internet, emails, company intranet applications, as well as news and travellers' information, without the need for a fixed line. Business travellers are now able to enhance their productivity while enjoying greater convenience when roaming abroad.

- *Best-in-class handsets* — SmarTone offers the widest choice of handsets from the popular brands, as well as exclusive customised models from leading edge manufacturers. Leveraging its successful experience in co-developing and marketing well-designed handsets that are easy to use and which provide the highest quality customer experience in rich multimedia services, your company is extending its co-development partnership to a number of handset manufacturers for 3G. This strategy enables your company to offer best-in-class handsets for targeted customer segments with relevant propositions and at different price points. The first SmarTone iN 3G handset, the Sanyo S103, has just been launched and will be followed shortly by the Sharp SX813, as well as other models from different brands.

- *Better value and transparent pricing* — To encourage customer adoption and to strengthen its differentiated proposition, your company has introduced a new pricing model for multimedia services. All SmarTone iN on 3G price plans are bundled with free access to a range of video and basic content, as well as free browsing within the SmarTone iN on 3G portal. Premium content charges are either event-based or time-based, without any additional per KB or per packet fee. These new price plans provide customers greater simplicity, transparency and predictability, and also offer better value.
- *Most reliable 3G network* — With its expertise in network planning and optimisation, SmarTone has extended its leadership in 2G network quality to 3G. The network has provided territory-wide coverage since commercial launch in December 2004, and will offer 2G-equivalent coverage and quality by March 2005. Reliability and stability for voice and data services delivered by the network is unmatched in the market.

To ensure a step up in total customer experience for all SmarTone's customers, as well as to better market 3G-enabled services, your company has upgraded all its customer touch-points through an extensive improvement programme for its front-of-house and back-of-house operations. An important element of this initiative is the introduction of a new shop design and service upgrade at all retail outlets, to provide a better shopping experience and create a better showcase for SmarTone's products and services. A new billing system has been installed to enable greater flexibility and improved efficiency in the launch of new services. The CRM system is being upgraded to provide more personalised customer service and to improve your company's effectiveness in planning and implementing marketing programmes.

SmarTone has signed an exclusive partner network agreement with Vodafone, the world's leading mobile operator. Your company will re-brand its business in Hong Kong to SmarTone-Vodafone, further enhancing its strong local brand with Vodafone's global strengths and propositions. Leveraging Vodafone's global footprint and leadership in mobile communications, SmarTone will enhance its customer propositions to all targeted customer segments, and deliver a wider range of products and services at shorter time-to-market and lower costs. The partnership will sharpen your company's edge and will be instrumental in increasing revenue market share.

#### *Macau Mobile Business*

The business continued to increase its revenue and deliver a higher profit contribution to the Group.

#### **Prospects**

Pressure on margins is expected to remain in the short term as revenue growth would be offset by higher handset subsidies and increase in costs due to 3G. The switch to 3G is set to accelerate in 2005, with the increasing availability of handsets and new services. SmarTone will continue to lead the development of rich multimedia services in exploiting the growing advantages of 3G over 2.5G / EDGE to increase revenue market share.

Our focus on delivering the best customer experience with 3G, powered by differentiated, compelling services and content as well as best-in-class handsets, will accelerate the adoption of multimedia and other non-voice services, and the growth in revenue market share. I am pleased with the strong position that your company has established and I am optimistic of its potential in capturing new opportunities in the future.

### **Appreciation**

I would like to express my appreciation of the invaluable support from our customers, shareholders and fellow directors, as well as the hard work and commitment of our staff.

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

Hong Kong, 28 February 2005

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

During the six months ended 31 December 2004, the Group achieved a profit attributable to shareholders of \$226 million compared to \$235 million for the same period last year. Operating revenue rose significantly by \$282 million to \$1,831 million (first half of 2003/04: \$1,549 million) with growth in both mobile services revenue and handset sales. This was a result of the Group's success in improving its customer profile with increasing data and roaming usage, and expansion in the handset business. During the six months ended 31 December 2004, the Group incurred additional costs in relation to 3G as well as sales and marketing costs for various marketing campaigns. Upon the commercial launch of the Group's 3G-enabled services in December 2004, the 3G spectrum utilisation fee started to be expensed as incurred and depreciation of 3G network had commenced.

### Financial performance

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") for the six months ended 31 December 2004 increased slightly to \$455 million (first half of 2003/04: \$448 million).

Turnover for the period under review increased by \$282 million to \$1,831 million (first half of 2003/04: \$1,549 million) due to both higher mobile services revenue and handsets sales:

- Mobile services revenue in the period increased by \$93 million to \$1,310 million (first half of 2003/04: \$1,217 million). Higher revenues from IDD, roaming, multimedia services and Macau operations all contributed to the increase.

Hong Kong blended ARPU for the six months ended 31 December 2004 was \$196 (first half of 2003/04: \$188). The increase reflected the continuing improvement in the quality of customers in both business and consumer markets with data and roaming revenue showing healthy increases.

Despite the continuing downward pressure on local voice tariffs, postpaid ARPU rose by \$21 to \$228 (first half of 2003/04: \$207). Revenues from all services other than local voice service were higher.

SmarTone achieved a strong growth in multimedia services during the period. Multimedia services revenue registered a strong year-on-year increase of approximately 90% in December 2004 and has been the key driver for the growth in data revenue, which accounted for 7.5% of services revenue. Total number of active SmarTone iN customers continued to rise and represented 19% of postpaid customer base in December 2004.

- Handsets and accessories sales for the period under review rose by 57% to \$521 million (first half of 2003/04: \$332 million). Handset business continued to be an integral part of the Group's operation in providing the widest choice of handsets to customers. The Group has successfully expanded its presence in the high-end segment of the handset market through its customised best-in-class handsets.

Cost of goods sold and services provided increased to \$738 million (first half of 2003/04: \$523 million) mainly due to higher costs of handsets sold and increased interconnection and roaming costs. Such higher costs reflected the corresponding increases in handset sales and mobile services usage.

Other operating expenses (excluding depreciation and loss on disposal of fixed assets) increased to \$637 million (first half of 2003/04: \$578 million). This was due to an increase in network costs arising from the 3G network rollout and higher sales and marketing expenses incurred for the promotion of multimedia services, new handsets and the launch of 3G-enabled services.

The financial performance of the Group's mobile business in Macau has been satisfactory and its contribution to the Group's profit increased in the six months ended 31 December 2004.

### **Subsidiaries, associates and other investments**

There have been no significant acquisition or disposal of subsidiaries, associates or other investments during the period.

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

The Group's capital structure has no significant changes since 30 June 2004. The cash resources of the Group remain strong with cash and bank balances and investments in held-to-maturity debt securities, net of external borrowings, at 31 December 2004 of \$1,817 million.

The Group had a net cash inflow from operating activities during the period of \$431 million. Net interest received during the period was \$32 million as compared to \$34 million in the same period last year. The Group's major outflows of funds in the period were payment of final dividends for the financial year 2003/04 and purchases of fixed assets. The Group also had an inflow of \$156 million being the proceeds from redemptions of held-to-maturity debt securities and bank borrowing, net of repayment.

The directors of the Group are of the opinion that the Group can fund its capital expenditure for the current financial year ending 30 June 2005 from existing cash resources and its committed borrowing facilities.

### **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 on deposit with banks in Hong Kong or invested in investment grade debt securities. Bank deposits in Hong Kong are maintained in Hong Kong or United States dollars.

The Group's investments in debt securities are denominated in either Hong Kong or United States dollars with a maximum maturity of 3 years. The Group's policy is to hold its investments in debt securities until maturity.

The Group arranged a 1-year committed interchangeable revolving loan and trade finance facility of \$200 million and an uncommitted multi-currency documentary letter of credit facility of \$100 million from certain banks during the period. Of these facilities, \$222 million was utilised of which \$170 million was drawn from the revolving loan and \$52 million from the letter of credit facility for general working capital at 31 December 2004.

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 cost. Total amount of pledged deposits at 31 December 2004 was \$337 million (30 June 2004: \$326 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 its United States dollar fixed income investments and bank deposits, are denominated in Hong Kong dollars. The Group therefore does not have any significant exposure to foreign currency gains and losses other than those arising due to its United States dollar denominated bank deposits and fixed income investments. The Group does not currently undertake any foreign exchange hedging.

### **Contingent liabilities**

#### *Performance bonds*

Certain banks, on the Group's behalf, have issued performance bonds to the telecommunications authorities of Hong Kong and Macau in respect of obligations under licences issued by those authorities. The total amount outstanding at 31 December 2004 under these performance bonds was \$313 million (30 June 2004: \$152 million). The performance bonds were partially collateralised by cash deposits to lower the issuance cost.

#### *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 collateralised by cash deposits to lower the issuance costs. The directors are of the opinion that the risk of the Group being required to make payment under this guarantee is remote.

#### *Bank facilities guarantees*

At 31 December 2004, there were contingent liabilities in respect of guarantees given by the Company on behalf of a wholly owned subsidiary relating to short term revolving credit facilities and uncommitted trade finance facility granted by certain banks of up to \$300 million (30 June 2004: \$600 million).

## **Employees and share option scheme**

The Group had 1,444 full-time employees at 31 December 2004, with the majority in Hong Kong. Staff receives 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 a mandatory provident fund scheme and medical and dental care insurance. Staff members 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 the participants, including directors and employees, to subscribe for shares of the Company. During the period, the Company issued 193,000 share options which are exercisable at an exercise price of \$8.01 per share from 6 December 2005 to 5 December 2014. No share options were exercised and 77,000 share options were cancelled during the period. At 31 December 2004, 12,706,500 share options were outstanding.

## **RESULTS**

The directors are pleased to present the Group's consolidated profit and loss account for the six months ended 31 December 2004 and the consolidated balance sheet at 31 December 2004, which are unaudited and condensed.

## Consolidated profit and loss account

For the six months ended 31 December 2004

|  |      | Unaudited             |                  |
|--|------|-----------------------|------------------|
|  |      | six months ended      |                  |
|  |      | 31 December           |                  |
|  |      | 2004                  | 2003             |
|  | Note | \$000                 | \$000            |
| Turnover                                       | 2    | <b>1,830,578</b>      | 1,548,800        |
| Cost of goods sold and services provided       |      | <b>(738,180)</b>      | (522,538)        |
| Gross profit                                   |      | <b>1,092,398</b>      | 1,026,262        |
| Other operating expenses                       |      | <b>(850,028)</b>      | (782,990)        |
| Operating profit                               | 4    | <b>242,370</b>        | 243,272          |
| Finance income                                 | 5    | <b>26,333</b>         | 33,421           |
| Finance costs                                  | 5    | <b>(372)</b>          | (340)            |
| Profit before taxation                         |      | <b>268,331</b>        | 276,353          |
| Taxation                                       | 6    | <b>(37,566)</b>       | (38,966)         |
| Profit after taxation                          |      | <b>230,765</b>        | 237,387          |
| Minority interest                              |      | <b>(5,135)</b>        | (2,241)          |
| Profit attributable to shareholders            |      | <b><u>225,630</u></b> | <u>235,146</u>   |
| Dividends                                      |      |                       |                  |
| In respect of the period                       | 7    | <b>110,730</b>        | 116,953          |
| Attributable to prior years paid in the period | 7    | <b><u>192,321</u></b> | <u>2,205,757</u> |
| Earnings per share                             |      |                       |                  |
| Basic  | 8    | <b>\$0.39</b>         | \$0.40           |
| Diluted  | 8    | <b><u>\$0.39</u></b>  | <u>\$0.40</u>    |
| EBITDA   | 9    | <b><u>455,323</u></b> | <u>448,327</u>   |

## Consolidated balance sheet

At 31 December 2004 and 30 June 2004

|  |      | <b>Unaudited</b>        | Audited                 |
|--|------|-------------------------|-------------------------|
|  |      | <b>31 December</b>      | 30 June                 |
|  |      | <b>2004</b>             | 2004                    |
|  | Note | <b>\$000</b>            | <b>\$000</b>            |
| <b>Non-current assets</b>                    |      |                         |                         |
| Fixed assets                                 |      | <b>2,043,347</b>        | 1,953,794               |
| Interest in an associate                     |      | <b>3,050</b>            | 3,050                   |
| Investments                                  |      | <b>1,145,765</b>        | 1,146,297               |
| Deferred expenditure                         |      | <b>11,802</b>           | 12,991                  |
| Deferred tax assets                          |      | <b>1,038</b>            | 2,857                   |
|  |      | <b><u>3,205,002</u></b> | <b><u>3,118,989</u></b> |
| <b>Current assets</b>                        |      |                         |                         |
| Inventories                                  |      | <b>138,507</b>          | 124,230                 |
| Investments                                  |      | <b>332,685</b>          | 471,081                 |
| Trade receivables                            | 10   | <b>192,479</b>          | 167,279                 |
| Deposits and prepayments                     |      | <b>136,623</b>          | 125,370                 |
| Other receivables                            |      | <b>37,922</b>           | 41,490                  |
| Cash and bank balances                       |      | <b>561,908</b>          | 653,808                 |
|  |      | <b><u>1,400,124</u></b> | <b><u>1,583,258</u></b> |
| <b>Current liabilities</b>                   |      |                         |                         |
| Trade payables                               | 11   | <b>185,611</b>          | 154,853                 |
| Other payables and accruals                  |      | <b>455,320</b>          | 681,817                 |
| Customers' deposits                          |      | <b>26,022</b>           | 24,744                  |
| Deferred income                              |      | <b>75,580</b>           | 72,408                  |
| Taxation payable                             |      | <b>17,045</b>           | —                       |
| Unsecured bank loans                         |      | <b>170,000</b>          | 150,000                 |
|  |      | <b><u>929,578</u></b>   | <b><u>1,083,822</u></b> |
| <b>Net current assets</b>                    |      | <b><u>470,546</u></b>   | <b><u>499,436</u></b>   |
| <b>Total assets less current liabilities</b> |      | <b>3,675,548</b>        | 3,618,425               |
| <b>Non-current liabilities</b>               |      |                         |                         |
| Deferred tax liabilities                     |      | <b>149,769</b>          | 131,068                 |
| <b>Minority interest</b>                     |      | <b>26,542</b>           | 21,407                  |
| <b>Net assets</b>                            |      | <b><u>3,499,237</u></b> | <b><u>3,465,950</u></b> |
| <b>Capital and reserves</b>                  |      |                         |                         |
| Share capital                                |      | <b>58,279</b>           | 58,331                  |
| Reserves                                     |      | <b>3,440,958</b>        | 3,407,619               |
|  |      | <b><u>3,499,237</u></b> | <b><u>3,465,950</u></b> |

Notes

### 1 Basis of preparation and the principal accounting policies

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2004.

## 2 Turnover

The Group is principally engaged in the provision of mobile services and the sale of mobile telephones and accessories. Revenues recognised during the period are as follows:

|                                      | <b>Six months ended</b> |                  |
|--------------------------------------|-------------------------|------------------|
|                                      | <b>31 December</b>      |                  |
|                                      | <b>2004</b>             | 2003             |
|                                      | <b>\$000</b>            | \$000            |
| Mobile services                      | <b>1,309,857</b>        | 1,216,813        |
| Mobile telephone and accessory sales | <b><u>520,721</u></b>   | <u>331,987</u>   |
|                                      | <b><u>1,830,578</u></b> | <u>1,548,800</u> |

## 3 Segment reporting

For the six months ended 31 December 2004 and 2003, more than ninety per cent. of the Group's turnover and operating profit was attributable to its mobile communications operations in the Special Administrative Regions of Hong Kong and Macau. Accordingly, no analysis by either business or geographical segment is included in the interim financial statements.

## 4 Operating profit

Operating profit is arrived at after charging:

|   | <b>Six months ended</b> |              |
|---|-------------------------|--------------|
|   | <b>31 December</b>      |              |
|   | <b>2004</b>             | 2003         |
|   | <b>\$000</b>            | \$000        |
| Depreciation:   |                         |              |
| Owned fixed assets  | <b>147,424</b>          | 134,044      |
| Leased fixed assets   | <b>62,823</b>           | 67,301       |
| Amortisation of deferred expenditure  | <b>13,737</b>           | 10,283       |
| Operating lease rentals for land and buildings, transmission sites and leased lines | <b>211,027</b>          | 204,036      |
| Loss on disposal of fixed assets  | <b>2,706</b>            | 3,709        |
| Provision for inventories   | <b>580</b>              | 569          |
| Provision for bad and doubtful debts  | <b>7,786</b>            | 6,969        |
| Net exchange loss   | <b><u>226</u></b>       | <u>4,925</u> |

5 **Net finance income**

|  | <b>Six months ended</b> |                      |
|--|-------------------------|----------------------|
|  | <b>31 December</b>      |                      |
|  | <b>2004</b>             | 2003                 |
|  | <b>\$000</b>            | <b>\$000</b>         |
| <b>Finance income</b>                                      |                         |                      |
| Interest income from:                                      |                         |                      |
| Listed debt securities                                     | 8,973                   | 9,796                |
| Unlisted debt securities                                   | 13,417                  | 13,575               |
| Deposits with banks and other financial institutions       | <u>3,943</u>            | <u>10,050</u>        |
|  | <u><b>26,333</b></u>    | <u><b>33,421</b></u> |
| <b>Finance costs</b>                                       |                         |                      |
| Interest expense on bank loans repayable within five years | (105)                   | (340)                |
| Other borrowing costs                                      | <u>(267)</u>            | <u>—</u>             |
|  | <u><b>(372)</b></u>     | <u><b>(340)</b></u>  |
|  | <u><b>25,961</b></u>    | <u><b>33,081</b></u> |

6 **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% on the assessable profit for the period (2003: Nil). Taxation on overseas profits has been calculated on the estimated profit for the period at the rates of taxation prevailing in the country in which the Group operates (2003: Nil).

The amount of taxation charged to the consolidated profit and loss account represents:

|  | <b>Six months ended</b> |                      |
|--|-------------------------|----------------------|
|  | <b>31 December</b>      |                      |
|  | <b>2004</b>             | 2003                 |
|  | <b>\$000</b>            | <b>\$000</b>         |
| Current taxation   |                         |                      |
| — Hong Kong  | 14,972                  | —                    |
| — Overseas   | 2,073                   | —                    |
| Deferred taxation relating to the origination of temporary differences | <u>20,521</u>           | <u>38,966</u>        |
|  | <u><b>37,566</b></u>    | <u><b>38,966</b></u> |

7 **Dividends**

|   | <b>Six months ended</b> |                         |
|---|-------------------------|-------------------------|
|   | <b>31 December</b>      |                         |
|   | <b>2004</b>             | 2003                    |
|   | <b>\$000</b>            | <b>\$000</b>            |
| <b>In respect of the period</b>                                     |                         |                         |
| Interim declared/paid, of \$0.19 per share (2003: \$0.20 per share) | <u>110,730</u>          | <u>116,953</u>          |
| <b>Attributable to prior years paid in the period</b>               |                         |                         |
| Final of \$0.33 per share (2003: \$0.27 per share)                  | 192,321                 | 157,972                 |
| Special cash dividend of nil (2003: \$3.50 per share)               | —                       | 2,047,785               |
|   | <u><b>192,321</b></u>   | <u><b>2,205,757</b></u> |
|   | <u><b>303,051</b></u>   | <u><b>2,322,710</b></u> |

At a meeting held on 28 February 2005, the directors declared an interim dividend of \$0.19 per share for the year ending 30 June 2005. This declared dividend is not reflected as a dividend payable in the interim financial statements but will be accounted for as an appropriation of retained profits for the year ending 30 June 2005.

## 8 Basic and diluted earnings per share

The calculations of basic and diluted earnings per share are based on the profit attributable to shareholders of \$225,630,000 (2003: \$235,146,000).

The basic earnings per share is based on the weighted average number of shares in issue during the period of 582,834,803 (2003: 584,048,178). The diluted earnings per share is based on 582,853,706 (2003: 584,418,314) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 18,903 (2003: 370,136) shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 9 EBITDA

EBITDA represents earnings before finance income and finance costs, depreciation and loss on disposal of fixed assets, share of loss of associate, taxation and minority interest. EBITDA includes all costs in relation to customer acquisition and amortisation of handset subsidies.

## 10 Trade receivables

The Group allows an average credit period of thirty days to its subscribers and other customers. The ageing of the trade receivables, net of provisions, is as follows:

|                    | <b>31 December</b>    | 30 June        |
|--------------------|-----------------------|----------------|
|                    | <b>2004</b>           | 2004           |
|                    | <b>\$000</b>          | \$000          |
| Current to 30 days | <b>167,868</b>        | 144,386        |
| 31 - 60 days       | <b>17,563</b>         | 18,283         |
| 61 - 90 days       | <b>5,859</b>          | 3,920          |
| Over 90 days       | <b>1,189</b>          | 690            |
|                    | <b><u>192,479</u></b> | <u>167,279</u> |

## 11 Trade payables

The ageing of the trade payables is as follows:

|                    | <b>31 December</b>    | 30 June        |
|--------------------|-----------------------|----------------|
|                    | <b>2004</b>           | 2004           |
|                    | <b>\$000</b>          | \$000          |
| Current to 30 days | <b>99,971</b>         | 64,374         |
| 31 - 60 days       | <b>55,272</b>         | 53,004         |
| 61 - 90 days       | <b>16,751</b>         | 15,774         |
| Over 90 days       | <b>13,617</b>         | 21,701         |
|                    | <b><u>185,611</u></b> | <u>154,853</u> |

## **INTERIM DIVIDEND**

The directors declared an interim dividend of \$0.19 (2003: \$0.20) per share for the six months ended 31 December 2004 to shareholders whose names appear in the Register of Members of the Company on 24 March 2005. It is expected that the interim dividend warrants will be despatched to shareholders on or about 8 April 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 22 March 2005 to Thursday, 24 March 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the aforesaid interim dividend, all transfers of shares 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 Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Monday, 21 March 2005.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

At no time during the six months period ended 31 December 2004 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the relevant interim financial statements and report of the Group and was content that the accounting policies and methods of computation adopted by the Group are in accordance with the current best practice 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 interim financial statements for the six months ended 31 December 2004 have not been audited but have been reviewed by the Company's external auditors.

The financial information disclosed above complies with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has been reviewed by the Audit Committee and the auditors before being put forward to the directors for approval.

## **CODE OF BEST PRACTICE**

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 (before amendments) of the Listing Rules, except that the non-executive directors of the Company are not appointed for specific terms. However, the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

The directors adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 of the Listing Rules as the Model Code of the Company regarding securities transactions by directors with effect from 31 March 2004. Having made specific enquiry of all directors, the directors confirm that they have complied with the required standard set out in the Model Code regarding directors’ securities transactions.

By the order of the Board  
**Maria Li Sau-ping**  
*Secretary*

Hong Kong, 28 February 2005

*As at the date of this announcement, Executive Directors of the Company are Mr Douglas Li and Mr Patrick Chan Kai-lung, Non-Executive Directors are Mr Raymond Kwok Ping-luen, Mr Michael Wong Yick-kam, Mr Ernest Lai Ho-kai, Mr Andrew So Sing-tak and Mr Cheung Wing-yui, Independent Non-Executive Directors are Mr Eric Li Ka-cheung, JP, Mr Ng Leung-sing, JP, Dr Sachio Semmoto and Mr Yang Xiang-dong.*