

2001  
keep working  
SUNDAY Interim Report

## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Richard John Siemens, Co-Chairman  
Edward Wai Sun Cheng, Co-Chairman  
Craig Edward Ehrlich, Group Managing Director  
Kuldeep Saran  
Andrew Chun Keung Leung  
William Bruce Hicks

#### Non-Executive Directors

Johnson Chan  
Peter Kin Ngok Lam  
Henry Michael Pearson Miles  
Simon Murray  
Robert John Richard Owen  
Michael Triguboff  
George Kin Wah Wong  
Hongqing Zheng

### AUDIT COMMITTEE

Robert John Richard Owen  
Henry Michael Pearson Miles  
Simon Murray

### REMUNERATION COMMITTEE

Richard John Siemens  
Edward Wai Sun Cheng  
Henry Michael Pearson Miles

### CHIEF EXECUTIVE OFFICER

Fergus Wilmer

### COMPANY SECRETARY

Janet Ching Man Fung

### REGISTERED OFFICE

P. O. Box 2681 GT  
Zephyr House  
George Town  
Grand Cayman  
British West Indies

### PRINCIPAL PLACE OF BUSINESS

13th Floor, Warwick House  
TaiKoo Place, 979 King's Road  
Quarry Bay, Hong Kong

### PRINCIPAL SHARE REGISTRAR

Bank of Butterfield (Cayman) Limited  
P. O. Box 705, Butterfield House  
Fort Street, George Town  
Grand Cayman  
British West Indies

### HONG KONG BRANCH SHARE REGISTRAR

Central Registration Hong Kong Limited  
Rooms 1702 - 1716, 17th Floor  
Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### ADR DEPOSITARY

The Bank of New York  
P. O. Box 11258  
Church Street Station  
New York, NY 10286 - 1258  
United States of America

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Overseas Union Bank Limited

### AUDITORS

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building  
Central, Hong Kong

### STOCK CODES

The Stock Exchange of Hong Kong: 0866  
Ticker Symbol for ADR Code: SDAY

### WEBSITES

<http://www.sunday.com>  
<http://www.irasia.com/listco/hk/sunday>

## Condensed Consolidated Profit and Loss Account

The Directors of SUNDAY Communications Limited (the "Company") are pleased to present the Interim Report and the condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001. The consolidated profit and loss account and the consolidated cash flow statement for the six months ended 30th June, 2001, and the consolidated balance sheet as at 30th June, 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 2 to 11 of this report.

	Note	Unaudited Six months ended 30th June,		
		2001 US\$'000	2001 HK\$'000	2000 HK\$'000 (Restated)
Turnover	2	93,055	725,830	722,751
Cost of inventories sold and services provided		<u>(33,918)</u>	<u>(264,560)</u>	<u>(343,305)</u>
Gross profit		59,137	461,270	379,446
Network costs		(19,003)	(148,224)	(158,755)
Depreciation		(17,210)	(134,236)	(126,051)
Rent and related costs		(3,597)	(28,057)	(22,589)
Salaries and related costs		(15,348)	(119,713)	(126,024)
Advertising, promotion and other selling costs		(11,812)	(92,135)	(95,791)
Other operating costs		<u>(3,986)</u>	<u>(31,091)</u>	<u>(54,828)</u>
Loss from operations	4	(11,819)	(92,186)	(204,592)
Interest income		1,990	15,519	19,545
Finance costs		<u>(4,847)</u>	<u>(37,806)</u>	<u>(92,944)</u>
Loss for the period		<u>(14,676)</u>	<u>(114,473)</u>	<u>(277,991)</u>
Loss per share	7	<u>(0.5 cents)</u>	<u>(3.8 cents)</u>	<u>(10.3 cents)</u>
EBITDA	3	<u>5,391</u>	<u>42,050</u>	<u>(78,541)</u>

No statement of recognised gains and losses is presented as loss for the period of HK\$114,473,000 (2000: loss of HK\$277,991,000) shown above is the only component.

## Condensed Consolidated Balance Sheet

	Note	Unaudited 30th June, 2001 US\$'000	Unaudited 30th June, 2001 HK\$'000	Audited 31st December, 2000 HK\$'000
<b>Non-current assets</b>				
Fixed assets	8	174,817	1,363,571	1,449,988
Restricted cash deposits	9	<u>306</u>	<u>2,385</u>	<u>2,385</u>
		<u>175,123</u>	<u>1,365,956</u>	<u>1,452,373</u>
<b>Current assets</b>				
Inventories		1,884	14,694	16,075
Trade receivables	10	12,814	99,955	99,353
Deposits, prepayments and other receivables		13,172	102,738	87,691
Restricted cash deposits	9	8,541	66,620	93,640
Bank balances and cash		<u>62,639</u>	<u>488,586</u>	<u>626,140</u>
		<u>99,050</u>	<u>772,593</u>	<u>922,899</u>
<b>Current liabilities</b>				
Trade payables	11	8,798	68,626	90,277
Other payables and accrued charges		29,268	228,291	265,085
Subscriptions received in advance		20,899	163,007	194,514
Current portion of long-term loans and obligations under finance leases	14	<u>15,765</u>	<u>122,970</u>	<u>49,400</u>
		<u>74,730</u>	<u>582,894</u>	<u>599,276</u>
<b>Net current assets</b>				
		<u>24,320</u>	<u>189,699</u>	<u>323,623</u>
		<u>199,443</u>	<u>1,555,655</u>	<u>1,775,996</u>
<b>Financed by:</b>				
<b>Share capital</b>				
Share capital	12	38,333	299,000	299,000
<b>Reserves</b>				
Reserves	13	<u>75,163</u>	<u>586,271</u>	<u>700,744</u>
<b>Shareholders' funds</b>				
		<u>113,496</u>	<u>885,271</u>	<u>999,744</u>
<b>Long-term liabilities</b>				
Long-term loans and obligations under finance leases	14	83,928	654,634	753,683
Subscriptions received in advance		<u>2,019</u>	<u>15,750</u>	<u>22,569</u>
		<u>85,947</u>	<u>670,384</u>	<u>776,252</u>
		<u>199,443</u>	<u>1,555,655</u>	<u>1,775,996</u>

## Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30th June, 2001 US\$'000	2001 HK\$'000
Net cash outflow from operating activities	(6,206)	(48,412)
Net cash outflow from returns on investments and servicing of finance	(3,440)	(26,832)
Net cash outflow from investing activities	<u>(4,722)</u>	<u>(36,831)</u>
Net cash outflow before financing	(14,368)	(112,075)
Net cash outflow from financing	<u>(3,267)</u>	<u>(25,479)</u>
Decrease in cash and cash equivalents	(17,635)	(137,554)
Cash and cash equivalents at 1st January	<u>80,274</u>	<u>626,140</u>
Cash and cash equivalents at 30th June	<u><u>62,639</u></u>	<u><u>488,586</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u><u>62,639</u></u>	<u><u>488,586</u></u>

## Notes to the Condensed Consolidated Accounts

### 1. Principal accounting policies

#### (a) Basis of presentation

The unaudited condensed interim accounts ("Interim Accounts") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HK SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that comparative figures for the condensed consolidated cash flow statement have not been prepared as the Company has taken the advantage of the transitional provision set out in the Listing Rules.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are the same as those used in the annual accounts for the year ended 31st December, 2000 except that the Group has adopted HK SSAP No. 14 (Revised) "Leases" in the presentation of the Interim Accounts. HK SSAP No. 14 (Revised) prescribes the accounting policies and disclosure requirements in relation to finance and operating leases. The adoption of HK SSAP No. 14 (Revised) by the Group does not have any impact on these Interim Accounts except that disclosures set out in the notes 14 and 16 have been extended or restated.

#### (b) Convenience translations

The condensed consolidated profit and loss account and condensed consolidated cash flow statement for the six months ended 30th June, 2001, and the condensed consolidated balance sheet as at 30th June, 2001 contain certain translations of Hong Kong dollars to U.S. dollars at the rate of HK\$7.8 to the U.S. dollar. Such translations should not be construed as representations that the Hong Kong dollar amounts represent or have been or could have been converted into U.S. dollars at that or any other rate.

### 2. Turnover

The Group is principally engaged in three business segments in Hong Kong: mobile services, sales of mobile phones and accessories, and international telecommunications and data services.

Turnover and contribution to loss from operations by business segments for the six months ended 30th June, 2001 and 2000 are as follows:

	Six months ended 30th June,			
	Turnover		Contribution to loss from operations	
	2001 HK\$'000	2000 HK\$'000 (Restated)	2001 HK\$'000	2000 HK\$'000
Mobile services	574,584	473,318	(12,475)	(66,696)
Sales of mobile phones and accessories	144,960	216,858	(38,929)	(45,045)
International telecommunications and data services	<u>6,286</u>	<u>32,575</u>	<u>(40,782)</u>	<u>(92,851)</u>
	<u>725,830</u>	<u>722,751</u>	<u>(92,186)</u>	<u>(204,592)</u>

## Notes to the Condensed Consolidated Accounts

### 3. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA represents earnings/losses of the Group before interest income, finance costs, taxation, depreciation and amortisation.

### 4. Loss from operations

Loss from operations is stated after charging the following:

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Cost of mobile phones and accessories sold	156,149	224,325
Depreciation:		
- owned fixed assets	129,819	121,970
- leased fixed assets	4,417	4,081
Loss on disposals of fixed assets	10	423
Operating lease charges:		
- land and buildings, including transmission sites	102,801	92,488
- leased lines	47,798	49,890
Provision for doubtful debts	<u>10,399</u>	<u>18,685</u>

### 5. Taxation

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the period (2000: Nil).

### 6. Interim dividends

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: Nil).

### 7. Loss per share

#### (a) Basic loss per share

The calculation of basic loss per share is based on the Group's loss for the the six months ended 30th June, 2001 of HK\$114,473,000 (2000: loss of HK\$277,991,000) and the weighted average number of 2,990,000,000 shares (2000: 2,709,451,000 shares) in issue during the period.

The weighted average number of shares in issue during the six months ended 30th June, 2000 has been calculated as if the 2,300,000,000 shares were in issue on 1st January, 2000 and on the basis that the 690,000,000 shares were issued on 15th March, 2000 pursuant to the global offering of the Company's shares.

#### (b) Diluted loss per share

There is no dilutive effect upon exercise of the share options on the loss per share for the six months ended 30th June, 2001.

## 8. Fixed assets

	HK\$'000
Cost	
At 1st January, 2001	2,146,290
Additions	47,843
Disposals	<u>(1,045)</u>
At 30th June, 2001	<u>2,193,088</u>
Accumulated depreciation	
At 1st January, 2001	696,302
Charge for the period	134,236
Disposals	<u>(1,021)</u>
At 30th June, 2001	<u>829,517</u>
Net book value	
At 30th June, 2001	<u>1,363,571</u>
At 31st December, 2000	<u>1,449,988</u>

At 30th June, 2001, the net book value of fixed assets held by the Group under finance leases amounted to HK\$6,018,360 (31st December, 2000: HK\$10,436,000).

All fixed assets were pledged as security for bank loan and vendor loan facilities of the Group.

## 9. Restricted cash deposits

As at 30th June, 2001, a bank deposit of HK\$2,385,000 (31st December, 2000: HK\$2,385,000) has been pledged to a bank in return for a bank guarantee issued in respect of the use of facilities at the airport for the provision of mobile services. The guarantee will expire in March 2007.

As at 30th June, 2001, another bank deposit of HK\$66,620,000 (31st December, 2000: HK\$93,640,000) was restricted to settle the bank loans, vendor loans and the relevant interest repayable within six months.



## Notes to the Condensed Consolidated Accounts

### 10. Trade receivables

The Group allows an average credit period of 30 days to its trade debtors. The ageing analysis of the trade receivables is as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 - 30 days	65,083	63,953
31 - 60 days	16,072	17,479
61 - 90 days	7,753	10,550
Over 90 days	<u>11,047</u>	<u>7,371</u>
	<u>99,955</u>	<u>99,353</u>

### 11. Trade payables

The ageing analysis of the trade payables is as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
0 - 30 days	41,991	72,939
31 - 60 days	2,893	4,965
61 - 90 days	14,363	1,763
Over 90 days	<u>9,379</u>	<u>10,610</u>
	<u>68,626</u>	<u>90,277</u>

### 12. Share capital

	30th June, 2001 HK\$'000	Company 31st December, 2000 HK\$'000
Authorised: 10,000,000,000 (31st December, 2000: 10,000,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 2,990,000,000 (31st December, 2000: 2,990,000,000) ordinary shares of HK\$0.10 each	<u>299,000</u>	<u>299,000</u>

### 13. Reserves

	Reserve arising from the Reorganisation HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1st January, 2001	1,254,000	(2,677,680)	2,124,424	700,744
Loss for the period	<u>—</u>	<u>(114,473)</u>	<u>—</u>	<u>(114,473)</u>
At 30th June, 2001	<u>1,254,000</u>	<u>(2,792,153)</u>	<u>2,124,424</u>	<u>586,271</u>

#### 14. Long-term loans and obligations under finance leases

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Bank loans (secured)	588,000	600,000
Vendor loans (secured)	185,250	194,998
Obligations under finance leases	<u>4,354</u>	<u>8,085</u>
	<u>777,604</u>	<u>803,083</u>
Less: Current portion included under current liabilities		
- bank loans	(90,000)	(24,000)
- vendor loans	(29,250)	(19,500)
- obligations under finance leases	<u>(3,720)</u>	<u>(5,900)</u>
	<u>(122,970)</u>	<u>(49,400)</u>
	<u>654,634</u>	<u>753,683</u>

At 30th June, 2001 and 31st December, 2000, the Group's long-term loans (excluding obligations under finance leases) were repayable as follows:

	Bank loans		Vendor loans	
	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Within one year	90,000	24,000	29,250	19,500
In the second year	168,000	156,000	48,750	39,000
In the third to fifth year	<u>330,000</u>	<u>420,000</u>	<u>107,250</u>	<u>136,498</u>
	<u>588,000</u>	<u>600,000</u>	<u>185,250</u>	<u>194,998</u>

Obligations under finance leases:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000 (Restated)
Minimum lease payments		
Within one year	4,296	6,760
In the second year	724	2,314
In the third to fifth year	<u>-</u>	<u>209</u>
	5,020	9,283
Future finance charges on finance leases	<u>(666)</u>	<u>(1,198)</u>
Present value of finance lease liabilities	<u>4,354</u>	<u>8,085</u>
The present value of finance lease liabilities is as follows:		
Within one year	3,720	5,900
In the second year	634	1,997
In the third to fifth year	<u>-</u>	<u>188</u>
	<u>4,354</u>	<u>8,085</u>

The bank loans and the vendor loans bear interest at prevailing market rates and are repayable in 15 quarterly instalments commencing from 11th March, 2001. During the six months ended 30th June, 2001, the Group repaid the bank loans and the vendor loans of HK\$12,000,000 and HK\$9,748,000 respectively.

## Notes to the Condensed Consolidated Accounts

### 15. Capital commitments

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
In respect of purchases of fixed assets:		
- contracted but not provided for	48,894	19,767
- authorised but not contracted for	<u>191,603</u>	<u>282,000</u>
	<u>240,497</u>	<u>301,767</u>

### 16. Commitments under operating leases

At 30th June, 2001 and 2000, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000 (Restated)
In respect of land and buildings, including transmission sites:		
- within one year	167,001	148,396
- in the second to fifth year inclusive	132,236	125,320
- after the fifth year	<u>27,505</u>	<u>29,081</u>
	<u>326,742</u>	<u>302,797</u>
In respect of leased lines:		
- within one year	36,957	48,637
- in the second to fifth year inclusive	<u>5,673</u>	<u>14,937</u>
	<u>42,630</u>	<u>63,574</u>
	<u>369,372</u>	<u>366,371</u>

## 17. Related party transactions

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
International telecommunications service and other revenues received from a related company (note a)	4,105	-
Operating lease charges paid to related companies (note b)	<u>(2,359)</u>	<u>(2,641)</u>

(a) During the six months ended 30th June, 2001 the Group entered into certain agreements based on normal commercial terms with a wholly-owned subsidiary of a related company, e-Kong Group Limited ("e-Kong"). Under these agreements the Group enabled the customers of e-Kong to make international calls by providing it interconnection to the Group's international telecommunications service facility and referred the Group's subscribers of international telecommunications service to make international calls directly through a subsidiary of e-Kong. The revenue from international telecommunications service for the six months ended 30th June, 2001 was HK\$4,105,000 (2000: Nil) in respect of the arrangements mentioned above.

Mr. Richard John Siemens is a director of both the Company and e-Kong.

(b) The Group entered into various operating lease agreements based on normal commercial terms with subsidiaries and related companies of certain beneficial shareholders of the Company to lease a number of premises for the Group's operating activities.

## 18. Comparative

The turnover for the six months ended 30th June, 2000 has been restated to conform with current period presentation to net off retention discounts and sales incentives given to subscribers directly against turnover.

## Management Discussion and Analysis

SUNDAY has continued to focus on building returns and improving its operating performance. It has achieved positive EBITDA in the first half of 2001, a little over one year after the dual listing of its shares in Hong Kong and the United States. The Group recorded EBITDA of HK\$42 million for the period. The significant improvement in operating results was mainly driven by the continued strong growth in mobile services business in the first six months of 2001. Mobile subscribers and the related service revenue grew by 63% and 21%, respectively, as compared with the corresponding period of 2000, against a backdrop of intense market competition. As at 30th June, 2001, the Group had cash reserves and available credit facility totalling HK\$1.5 billion and is confident that it has sufficient resources to fund continued growth.

### Review of Operations

Growth of the mobile services business continued to be strong in the first half of 2001. Total mobile subscribers increased by 63% to 485,000 as at 30th June, 2001 as compared with 30th June, 2000. Revenue from the mobile services business for the six months ended 30th June, 2001 recorded a 21% increase to HK\$575 million as compared with the corresponding period in 2000. However, average revenue per user (ARPU) decreased due to intense price competition in the market. ARPU for the six months ended 30th June, 2001 was HK\$220.

Total turnover of the Group in the first half of 2001 was flat as compared with the corresponding period of 2000, mainly due to a 33% decrease in revenues from the sales of mobile phones and accessories. Revenues from the sales of mobile phones and accessories for the six months ended 30th June, 2001 decreased to HK\$145 million. The decrease was mainly attributable to a reduction in sales volume as only a few new models of mobile phones were launched during the first half of 2001. The gross loss on sales of mobile phones and accessories increased by HK\$4 million to HK\$11 million as compared with the corresponding period of 2000. The revenues and the gross profit from international telecommunications and data services remained relatively small.

Gross profit of the Group for the six months ended 30th June, 2001 increased by HK\$82 million, or 22%, to HK\$461 million as compared with that of 2000. The increase was mainly attributable to the growth in revenues from the mobile services business.

The Group exercised tight financial controls on its operating costs and endeavoured to improve its operating efficiencies. Operating costs (excluding depreciation) for the six months ended 30th June, 2001 decreased by HK\$39 million or 8% to HK\$419 million as compared with the corresponding period of 2000. As a result, the Group has recorded EBITDA of HK\$42 million for the six months ended 30th June, 2001 as compared with an EBITDA loss of HK\$79 million for the corresponding period last year.

Net loss for the six months ended 30th June, 2001 decreased by HK\$164 million, or 59%, to HK\$114 million as compared with the corresponding period of 2000. The decrease was mainly attributable to a significant improvement in operating results as mentioned above and a 59% decrease in finance costs as compared with that of 2000, which resulted from a combination of the reduction in average outstanding loan balances and a decrease in interest rates.

Capital expenditures incurred in the first six months in 2001 amounted to HK\$48 million, which were mainly for the ongoing enhancement and expansion in capacity of the mobile network and IT facilities.

## Prospects

The market conditions may continue to be competitive and challenging in the second half of 2001. SUNDAY believes that it has reached a critical mass in terms of subscriber numbers and combined with its early commitment to improve its operational efficiency and financial controls, it is well positioned whether market consolidation occurs or not.

More data services and applications are also expected to be available in the market when the SMS interconnection becomes operational and more GPRS (general packet radio services) terminals, such as mobile phones and PDAs (personal digital assistants), are expected to be launched in the second half of 2001. These should help promote the awareness and usage of wireless data services, which should further stimulate the development of wireless data applications and services. SUNDAY will benefit from this trend as the Group's network has been GPRS-ready since December 2000 and has dedicated resources for developing wireless data services and applications.

SUNDAY believes that it has the flexibility and the strength to succeed as either a Mobile Network Operator (MNO) or a Mobile Virtual Network Operator (MVNO). The Group is confident that its hard work and innovation for 2.5G services will set SUNDAY in good stead for the shift to 3G when it comes.

## Liquidity and Financial Resources

The Group funded its capital expenditures, working capital requirements and negative cash flow from operating activities mainly with bank loans, vendor financing and proceeds from the global offering in 2000. As at 30th June, 2001, the Group has cash reserves and available credit facility of HK\$1.5 billion. As at 30th June, 2001, the debt to equity ratio was 88%.

The outstanding bank loan and vendor loan balances as at 30th June, 2001 are repayable in 13 quarterly instalments and are secured by a charge over all the assets, revenues and shares of Mandarin Communications Limited, the main operating subsidiary of the Company. The bank loans and the vendor loans bear interest at prevailing market rates.

## Foreign Exchange Exposure

Substantially all the revenues, expenses, assets and liabilities are denominated in Hong Kong dollars except for the long-term vendor loan facility. As at 30th June, 2001, the outstanding vendor loans amounted to approximately US\$24 million but the Group also had a bank deposit of US\$32 million. The international roaming payables and receivables are netted and settled on a monthly basis in Special Drawing Rights ("SDR") and the net SDR-denominated payables were insignificant as at 30th June, 2001. The Group does not anticipate significant foreign exchange losses as long as the Hong Kong government's policy to peg the Hong Kong dollar to the U.S. dollar remains in effect. The Group will continue to monitor its foreign exchange exposure and market conditions to determine if any hedging is required.

## Employees and Share Option Scheme

The Group employed approximately 790 full-time employees as at 30th June, 2001. The Group offers comprehensive remuneration and benefits packages to all employees. Remuneration of employees is maintained at competitive levels, and promotion and salary increments are assessed based on individual and Group performance. Other staff benefits include a mandatory provident fund scheme, subsidised medical care and subsidies for external educational and training programmes.

The Group adopted an employee share option scheme on 1st March, 2000. Details of the share option scheme were disclosed in the 2000 Annual Report.

## Directors' and Chief Executive's Interests in Securities

As at 30th June, 2001, the interests of the Directors and chief executive in the securities of the Company and its associated corporation as recorded in the register kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company were as follows:

### Interests in shares of the Company

Name of Director/Chief Executive	Number of Shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Edward Wai Sun Cheng (Note 1)	-	-	-	345,000,000	345,000,000
Craig Edward Ehrlich	500,000	-	-	-	500,000
Fergus Wilmer	800,000	-	-	-	800,000

### Interests in shares of an associated corporation (within the meaning of the SDI Ordinance)

#### - Mandarin Communications Limited

Name of Director	Number of Shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Edward Wai Sun Cheng (Note 1)	-	-	-	188,100,000	188,100,000

### Interests in share options of the Company

Name of Director/Chief Executive	Number of Share Options Granted (Note 2)
Richard John Siemens	15,000,000
Edward Wai Sun Cheng	15,000,000
Craig Edward Ehrlich	15,000,000
Kuldeep Saran	15,000,000
Andrew Chun Keung Leung	15,000,000
William Bruce Hicks	15,000,000
Fergus Wilmer	15,000,000

#### Notes:

- Mr. Edward Wai Sun Cheng is a beneficiary of a trust which assets include indirect interests in 21.4% of the issued share capital of USI Holdings Limited ("USI"). USI is interested in 345,000,000 shares of the Company and 188,100,000 non-voting deferred shares of Mandarin Communications Limited.
- The share options were granted to the above-mentioned Directors and chief executive on 31st May, 2000 pursuant to the Share Option Scheme adopted by the Company on 1st March, 2000. Such share options are exercisable at a price of HK\$1.01 per share for a period of ten years from 31st May, 2000 to 30th May, 2010, of which 40%, 30% and 30% are respectively exercisable after 12 months, 24 months and 36 months from the grant date.

During the period under review, none of the Directors or chief executive had exercised any share options in the Company.

Save as disclosed above, none of the Directors or chief executive of the Company nor their spouses or children under 18 years of age had any interests in, or had been granted or exercised, any rights to subscribe for any securities of the Company or any of its associated corporations during the period under review.

## Substantial Shareholders' Interests in the Company

As at 30th June, 2001, the following parties (other than a Director or chief executive of the Company) were, directly or indirectly, interested or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance or as otherwise notified to the Company:

Name of Shareholders	Note	Number of Shares	Percentage of Total Issued Shares
Distacom Communications Limited ("Distacom")	1	1,380,000,000	46.2%
Distacom International Limited	1	1,380,000,000	46.2%
Sinomax Captial Limited	1	1,380,000,000	46.2%
USI Holdings (B.V.I.) Limited	2	345,000,000	11.5%
USI Holdings Limited	3	345,000,000	11.5%

Notes:

1. These interests were held through Distacom's wholly-owned subsidiary, Distacom Hong Kong Limited. Each of Distacom International Limited and Sinomax Capital Limited, by virtue of their respective corporate interests in Distacom, was taken to be interested in the same 1,380,000,000 shares in which Distacom was interested. These shares therefore duplicate each other.
2. These interests were held through USI Holdings (B.V.I.) Limited's wholly-owned subsidiary, Townhill Enterprises Limited.
3. USI Holdings Limited was taken to be interested in 345,000,000 shares in the Company by virtue of its corporate interests in USI Holdings (B.V.I.) Limited. The 345,000,000 shares in which USI Holdings Limited was interested are the same parcel of shares referred to in "Other interests" of Mr. Edward Wai Sun Cheng under "Directors' and Chief Executive's Interests in Securities". These shares therefore duplicate each other.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.



## Other Information

### Corporate Governance

The Group is committed to high standards of corporate governance. It has complied throughout the six months ended 30th June, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that Non-executive Directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Articles of Association.

In January 2000, the Company set up a remuneration committee of the Board of Directors, which consists of Messrs. Richard John Siemens, Edward Wai Sun Cheng and an independent Non-executive Director, Henry Michael Pearson Miles. The remuneration committee meets at least once a year and is responsible for reviewing the remuneration of the Directors and officers of the Group.

In April 2001, the Company was ranked second among Asian telecommunications companies in terms of corporate governance standards in a global emerging markets survey conducted by CLSA.

### Audit Committee

The Audit Committee of the Company has reviewed the condensed interim accounts and the Interim Report, and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The Interim Report has not been audited but has been reviewed by the Company's external auditors.

### Purchase, Sale or Redemption of Shares

During the six months ended 30th June, 2001, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

By Order of the Board  
**Janet Ching Man Fung**  
Company Secretary

Hong Kong, 9th August, 2001