

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2002

1 BASIS OF PREPARATION AND THE PRINCIPAL ACCOUNTING POLICIES

The basis of preparation and principal accounting policies adopted in the preparation of these unaudited consolidated condensed interim financial statements ("interim financial statements") are set out below:

(a) *Basis of preparation*

These interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

The Group has also adopted those new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002 as set out below:

SSAP 1 (revised)	—	Presentation of financial statements
SSAP 11 (revised)	—	Foreign currency translation
SSAP 15 (revised)	—	Cash flow statements
SSAP 25 (revised)	—	Interim financial reporting
SSAP 33	—	Discontinuing operations
SSAP 34	—	Employee benefits

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2002.

The adoption of the new or revised SSAPs has not had a material financial impact on these financial statements because the Group has already followed the recognition and measurement criteria specified therein. However, some comparative disclosures have been revised or extended.

In accordance with SSAP 34, the Group's policy for accounting for employee benefits is set out below.

(b) *Employee benefits*

(i) **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave due to service rendered by employees up to the balance sheet date.

Employee entitlements to sick leave, maternity or paternity leave and marriage leave are not recognised until the time the leave is taken.



1 BASIS OF PREPARATION AND THE PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Employee benefits (continued)

(ii) Profit sharing and bonus plans

Provisions are established for amounts payable within twelve months of the balance sheet date in respect of profit sharing and bonus plans. Provisions are only recognised when the Group has a present legal or constructive obligation due to service rendered by employees and a reliable estimate of the obligation can be made.

(iii) Employee share option schemes

Where share options are granted at the market price of the shares on the date of the grant, no compensation cost is recognised in the profit and loss account. Where share options are granted at a discount to the market price, a compensation cost is recognised in the profit and loss account based on that discount. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2002.

2 TURNOVER

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

	Six months ended	
	31 December	
	2002	2001
	HK\$000	HK\$000
Turnover		
Mobile and international telecommunications services	1,180,835	1,041,097
Mobile telephone and accessory sales	260,814	69,248
Internet services	12,065	30,451
	<u>1,453,714</u>	<u>1,140,796</u>

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For the six months ended 31 December 2002

3 SEGMENT REPORTING

For the six months ended 31 December 2002, more than ninety per cent. of the Group's turnover and operating profit were attributable to mobile communications in the Special Administrative Regions of Hong Kong and Macau. Accordingly, no analysis by business and geographical segment is included in these interim financial statements.

4 IMPAIRMENT OF FIXED AND OTHER ASSETS

	Six months ended 31 December	
	2002 HK\$000	2001 HK\$000
Fixed assets - impairment losses	—	67,884
Provision against interest in an associate and investment securities	—	11,613
	—	79,497

During the six months ended 31 December 2001, the Group undertook a review of the value of the fixed assets of its Internet service provider business. As a result of this review, the Group made a charge of HK\$68 million to write down certain fixed assets. During the six months ended 31 December 2001, the Group also undertook a review of the valuation of its investments in technology funds. A provision of HK\$12 million was made for these investments.



5 PROFIT/(LOSS) FOR THE PERIOD

	Six months ended	
	31 December	
	2002	2001
	HK\$000	HK\$000
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Profit/(loss) for the period is stated after crediting and charging the following:		
Crediting		
Net exchange gain	—	19
	<hr/>	<hr/>
Charging		
Depreciation : owned fixed assets	124,170	140,605
leased fixed assets	71,832	73,915
Amortisation of deferred expenditure	5,620	29,053
Operating lease rentals for land and buildings, transmission sites and leased lines	232,336	230,270
Loss on disposal of fixed assets	1,326	3,887
Provision for inventories	2,158	968
Provision for bad and doubtful debts	10,315	4,529
Net exchange loss	204	—
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6 TAXATION

No provision has been made for Hong Kong or overseas taxation for the period as the Group has sufficient tax losses brought forward to offset the assessable profit for the period (2001: Nil).

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For the six months ended 31 December 2002

7 DIVIDENDS

	Six months ended	
	31 December	
	2002	2001
	HK\$000	HK\$000
Final, for the year ended 30 June 2002, paid of HK\$0.07 (2001: Nil) per share (note a)	40,777	—
Interim, for the year ending 30 June 2003, declared of HK\$0.20 (2001: Nil) per share (note b)	116,603	—
	<u>157,380</u>	<u>—</u>

a At a meeting held on 24 September 2002, the Directors recommended the declaration of a final dividend of HK\$0.07 per share for the year ended 30 June 2002. This dividend was paid on 18 November 2002 and has been accounted for as an appropriation of retained profit for the six months ended 31 December 2002.

b At a meeting held on 11 March 2003, the Directors declared an interim dividend of HK\$0.20 per share for the year ending 30 June 2003. This interim dividend is not reflected as a dividend payable in these interim financial statements but will be accounted for as an appropriation of retained profit for the year ending 30 June 2003.

8 EARNINGS/(LOSS) PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$237,799,000 (2001: loss of HK\$39,354,000) and on the weighted average number of 583,304,569 shares (2001: 591,117,244 shares) in issue during the period.

For the six months ended 31 December 2002 and 2001, no diluted earnings/(loss) per share is presented as there were no potentially dilutive shares outstanding.



9 FIXED ASSETS

	HK\$000
Cost	
1 July 2002	3,882,964
Additions	163,876
Disposals	(33,856)
31 December 2002	<u>4,012,984</u>
Accumulated depreciation and impairment losses	
1 July 2002	2,130,095
Charge for the period	196,002
Disposals	(29,325)
31 December 2002	<u>2,296,772</u>
Net book value	
31 December 2002	<u>1,716,212</u>
30 June 2002	<u>1,752,869</u>

At 31 December 2002, the net book value of fixed assets held by the Group under finance leases amounted to HK\$728,235,000 (30 June 2002: HK\$807,959,000).

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10 HELD-TO-MATURITY DEBT SECURITIES

	31 December 2002	30 June 2002
	HK\$000	HK\$000
Listed, Overseas	311,658	293,036
Listed, Hong Kong	73,176	74,193
Unlisted	648,767	275,879
	<u>1,033,601</u>	<u>643,108</u>
Market value of listed securities:		
Overseas	318,482	293,095
Hong Kong	75,976	75,244
	<u>394,458</u>	<u>368,339</u>

11 TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its subscribers and other customers. The ageing of trade receivables, net of provisions is as follows:

	31 December 2002	30 June 2002
	HK\$000	HK\$000
Current to 30 days	132,580	135,999
31 - 60 days	22,015	22,448
61 - 90 days	13,999	13,889
	<u>168,594</u>	<u>172,336</u>