

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(All references to "\$" are to the Hong Kong dollar)

The directors are pleased to present the Group's interim report and the condensed consolidated financial statements for the six months ended 31 December 2003. The consolidated profit and loss account, the condensed consolidated cash flow statement and the consolidated statement of changes in equity for the six months ended 31 December 2003, and the consolidated balance sheet as at 31 December 2003 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 7 to 23 of this report.

The consolidated profit and loss account for the period ended 31 December 2002 has been restated as set out in note 1 (a) to these financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2003

	Note	Unaudited six months ended 31 December	
		2003 \$000	Restated 2002 \$000
Turnover	2	1,548,800	1,453,714
Cost of goods sold and services provided		(522,538)	(439,014)
Gross profit		1,026,262	1,014,700
Other operating expenses		(782,990)	(818,111)
Operating profit	4	243,272	196,589
Interest income	5	33,421	41,889
Interest expense	5	(340)	—
Profit before taxation		276,353	238,478
Taxation	6	(38,966)	(14,211)
Profit after taxation		237,387	224,267
Minority interest		(2,241)	(1,122)
Profit attributable to shareholders	17	235,146	223,145
Dividends			
In respect of the period	7	116,953	116,603
Attributable to prior years paid in the period	7	2,205,757	40,777
Earnings per share			
Basic	8	\$0.40	\$0.38
Diluted	8	\$0.40	N/A
EBITDA	9	448,327	393,917

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CONSOLIDATED BALANCE SHEET

As at 31 December 2003 and 30 June 2003

	Note	Unaudited 31 December 2003 \$000	Restated 30 June 2003 \$000
Non-current assets			
Fixed assets	10	1,698,522	1,703,220
Deferred tax assets		8,403	8,417
Interest in an associate		3,050	3,050
Investments	11	1,488,174	701,092
Deferred expenditure		14,904	7,554
		<u>3,213,053</u>	<u>2,423,333</u>
Current assets			
Inventories		56,711	29,605
Investments		191,445	53,387
Trade receivables	12	160,061	103,200
Deposits and prepayments		88,430	100,993
Other receivables		32,075	25,034
Cash and bank balances	13	697,801	3,212,864
		<u>1,226,523</u>	<u>3,525,083</u>
Current liabilities			
Trade payables	14	134,376	145,902
Other payables and accruals		301,482	297,482
Customers' deposits		25,545	26,878
Deferred income		70,700	78,058
Unsecured bank borrowings		420,000	—
		<u>952,103</u>	<u>548,320</u>
Net current assets		<u>274,420</u>	<u>2,976,763</u>
Total assets less current liabilities		<u>3,487,473</u>	<u>5,400,096</u>
Non-current liabilities			
Deferred tax liabilities		96,955	58,003
Minority interest		<u>22,712</u>	<u>20,471</u>
Net assets		<u>3,367,806</u>	<u>5,321,622</u>
Capital and reserves			
Share capital	15	58,508	58,301
Reserves	17	3,309,298	5,263,321
Shareholders' funds		<u>3,367,806</u>	<u>5,321,622</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003

	Note	Unaudited six months ended	
		31 December	
		2003	2002
		\$000	\$000
<i>Net cash inflow from operating activities</i>		352,904	407,057
Investing activities			
Purchases of fixed assets, net of disposals		(181,756)	(188,669)
Deferred expenditure		(17,599)	(7,607)
Purchases of held-to-maturity debt securities, net of redemptions		(930,241)	(385,878)
Purchase of equity securities, net of repayment		(3,611)	(4,194)
Interest received		34,427	42,423
<i>Net cash outflow from investing activities</i>		(1,098,780)	(543,925)
Financing activities			
Repurchases of shares		(2,397)	(14,452)
Contribution from a minority shareholder to a subsidiary company		—	3,261
Decrease in pledges of bank deposits		57,545	105,955
Proceeds from new bank loans		420,000	—
Proceeds from shares issued under option scheme		19,192	—
Dividends paid		(2,205,757)	(26,284)
Interest paid		(225)	—
<i>Net cash (outflow)/inflow from financing activities</i>		(1,711,642)	68,480
Decrease in cash and cash equivalents		(2,457,518)	(68,388)
<i>Cash and cash equivalents at the beginning of the period</i>		2,820,725	2,418,105
<i>Cash and cash equivalents at the end of the period</i>		363,207	2,349,717
Analysis of cash and cash equivalents			
Cash and bank balances	13	697,801	2,769,164
Less: pledged bank deposits	13	(334,594)	(419,447)
		363,207	2,349,717

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003

	Share capital \$000	Share premium \$000	Capital redemption reserve \$000	Contributed surplus \$000	Retained profits \$000	Total \$000
1 July 2003, as previously reported	58,301	4,218,517	2,461	199,800	893,016	5,372,095
Adoption of SSAP 12 (revised) (note 1a)	—	—	—	—	(50,473)	(50,473)
1 July 2003, restated	58,301	4,218,517	2,461	199,800	842,543	5,321,622
Exercise of share options	207	18,985	—	—	—	19,192
Repurchases of shares	—	—	—	(2,365)	(32)	(2,397)
Cancellation of share premium	—	(4,237,502)	—	4,237,502	—	—
Payment of 2003 final dividend	—	—	—	—	(157,972)	(157,972)
Payment of special cash dividend	—	—	—	(2,047,785)	—	(2,047,785)
Profit for the period	—	—	—	—	235,146	235,146
31 December 2003	58,508	—	2,461	2,387,152	919,685	3,367,806

For the six months ended 31 December 2002

	Share capital \$000	Share premium \$000	Capital redemption reserve \$000	Contributed surplus \$000	Retained profits \$000	Total \$000
1 July 2002, as previously reported	58,435	4,229,260	2,150	199,800	642,892	5,132,537
Adoption of SSAP 12 (revised) (note 1a)	—	—	—	—	(20,993)	(20,993)
1 July 2002, restated	58,435	4,229,260	2,150	199,800	621,899	5,111,544
Repurchases of shares	(182)	(14,270)	182	—	(182)	(14,452)
Issue of new shares in lieu of cash dividend	177	14,316	—	—	(14,493)	—
Payment of 2002 final dividend	—	—	—	—	(26,284)	(26,284)
Profit for the period	—	—	—	—	223,144	223,144
31 December 2002, restated	58,430	4,229,306	2,332	199,800	804,084	5,293,952



NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2003

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 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 2003 except that the Group has adopted the revised SSAP 12, 'Income Taxes' which is effective for accounting periods commencing on or after 1 January 2003. Pursuant to the revised SSAP 12, the Group has adopted a new accounting policy for deferred taxation which is set out below in note 1b.

The new accounting policy for deferred taxation has been adopted retrospectively and comparative figures have been restated accordingly. The material financial impact of the new accounting policy on these interim financial statements of the Group is as follows:

- The minority interest share of profit after taxation for the six months ended 31 December 2002 has been increased by \$443,000 and for the six months ended 31 December 2003 reduced by \$395,000.
- The profit attributable to shareholders for the six months ended 31 December 2002 and 2003 has been reduced by \$14,654,000 and \$38,571,000 respectively.
- Opening reserves at 1 July 2002 and 2003 have been reduced by \$20,993,000 and \$50,473,000 respectively.
- A deferred tax asset of \$8,403,000 (30 June 2003: \$8,417,000) and deferred tax liability of \$96,955,000 (30 June 2003: \$58,003,000) have been included in the Group's balance sheet at 31 December 2003.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2003

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

(b) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2003.

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	
	2003	2002
	\$000	\$000
Mobile and international telecommunications services	1,216,813	1,180,835
Mobile telephone and accessory sales	331,987	260,814
Internet services	—	12,065
	<u>1,548,800</u>	<u>1,453,714</u>