CHINA RESOURCES PEOPLES TELEPHONE COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock code: 331)

2004 INTERIM RESULTS ANNOUNCEMENT

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

- Profits attributable to shareholders rose to HK$119 million, a 12 per cent. increase for the six months ended 31 December 2003
- Shareholders' funds improved to HK$1,069 million, a 1,544 per cent. increase during the past six months
- Interim dividend of HK$0.13 per share

CHAIRMAN'S STATEMENT

The Company has achieved several key financial milestones in the first half of 2004. On 17 February, 2004, the High Court of Hong Kong confirmed the Company's petition on Capital Reduction. On 1 April 2004, the Company's shares were successfully listed on the main board of The Stock Exchange of Hong Kong Limited. By using the IPO proceeds and the draw-down of a new bank loan, the Company has repaid the shareholders' loans and accrued interest amounting to $929 million.

FINANCIAL HIGHLIGHTS

Despite arduous competition and the aggressive third generation (3G) promotional offerings, the Company's profitability has recovered from the downward trend due to the price war and SARS (Severe Acute Respiratory Syndrome) epidemic and back on an upward track.

Turnover for the period ended 30 June 2004 was $831 million, an increase of 2 per cent. as compared to $813 million in the previous six months and flat against $829 million for the same period last year.

The Company's earnings before interest, tax, depreciation and amortisation ("EBITDA") of $266 million increased by approximately 2 per cent. against $261 million of the previous six months and down 17 per cent. for the same period last year. Earnings before tax ("EBT") of $148 million rose by 11 per cent. on the preceding six months and again down 24 per cent. or $45 million on the corresponding period last year. The current depression against the first half of 2003 is principally attributed to last year's price war which lowered the ARPU (average revenue per user) as more handset rebates and tariff discounts were offered.

Profits attributable to shareholders amounted to $119 million which was a 12 per cent. increase on $106 million for the preceding six months and a 28 per cent. decrease on $164 million for the corresponding period last year. Earnings per share for the period ended 30 June 2004 was $0.20.

INTERIM DIVIDEND

At a meeting held on 24 August 2004, the Directors declared an interim dividend of $0.13 per share for the six months ended 30 June 2004 (2003: Nil).

BUSINESS REVIEW

During the period under review, the Company continued to pursue the drive for service quality and customer satisfaction. The Company also strived to strengthen its brand loyalty and improvements in all areas of its service offerings, from products and network performance to customer care, establishing a broader foundation for future revenue growth and profitability.

- The Company sustained its strategy of providing the best value for money mobile services through its best offer matching policy. This strategy gives reassurance to our customers that they do not need to continuously search for the best value mobile services by switching from operator to operator. As a result, the Company's subscriber base has remained stable.

- The Company continued to monitor the merits of the network and services and has continued to dedicate resources in further enhancing network and service quality through close co-operation with infrastructure suppliers. During the period under review, the Company effected significant organisational structure. Not only will these changes create synergies and improve productivity in the organisation, they will also enhance the Company's ability to ensure end-to-end service performance.

- Through strengthening its partnerships with handset suppliers, the Company has rolled out a series of successful handset promotions during the period, targeting to attract new customers, as well as encouraging handset upgrades for existing customers. This strategy has successfully increased handsets and accessories sales by 16 per cent. to $177 million (second half of 2003: HK$153 million). Handset upgrades also encourage a wider adoption of multimedia services as more customers are equipped with state-of-the-art handsets designed for the advance data services on offer.

- The Company continues to strengthen its data services offering. During the period under review, contents of the COLOR portal have been enriched, ease of use of data services has been enhanced, and further customer education of data services has been successfully launched. The Company's data services revenue has enjoyed an encouraging growth of 34 per cent. as compared to the preceding six months.

OUTLOOK

Riding on the Company's solid foundation of proven business strategies, a loyal customer base and an efficient operation, the Company strives to further differentiate itself from its competitors by providing value for money and demand-driven mobile voice and data services to its customers.

Whilst the Company will continue to adopt the best offer matching strategy, it is also starting to be a creator of demand-driven mobile services. Seeing a tremendous and continuous increase in travellers from Mainland China under the "Individual Visit Scheme", the Company was the first to launch a $28 "Easy Talk" prepaid card catering for these travellers in April 2004. Leveraging on the Company's recognised strength in providing value for money mobile services, it will continue to identify areas of customers' demands and create products that are both of good value and can suit their needs.

The Company is fully committed to EDGE with Phase 1 of the network now completed. EDGE is a substantial enhancement over the current 2.5G data services allowing the introduction of new and exciting multimedia services that will satisfy our customers' needs. The Company is particularly enthusiastic about the launch of new services like video streaming and is currently working with a range of local and overseas content providers to secure the best and most desirable material. The Company is confident that the introduction of these new data services over EDGE will provide the impetus to accelerate the growth of data revenue.

On 23 April 2004, the Company successfully obtained a Certificate in the VAS section under the Closer Economic Partnership Arrangement (CEPA) for certification as a Hong Kong service supplier to the Mainland. The Company is proactively searching for opportunities in the PRC's telecommunications market for future expansion. With China Resources as our largest shareholder and leveraging its vast expertise, the Company will be able to serve the mobile communication market in the PRC with our data content with much greater economy of scale.

With these initiatives, together with improved economic conditions, the Company is well positioned to improving competitiveness, driving revenue growth and enhancing profitability and return to shareholders.

APPRECIATION

For and on behalf of the Board, I would like to thank our loyal customers, shareholders and fellow Directors for their continual support. I would also like to express my gratitude to all our staff for their enduring hard work and dedicated contributions to the Company.

Ning Gao Ning
Chairman

Hong Kong, 24 August 2004

RESULTS

The Directors are pleased to present the Company's income statement for the six months ended 30 June 2004 and the balance sheet as at 30 June 2004, which are unaudited and condensed.

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2004

	Note	Unaudited six months ended 30 June **2004** ***$'000***	 2003 *$'000*
Turnover	*1*	**830,786**	829,179
Direct cost of goods sold and services provided			
– Cost of handsets and accessories		**(159,274)**	(132,934)
– Interconnection cost		**(101,073)**	(88,252)
		570,439	607,993
Other revenue		**1,730**	1,756
Other net income / (loss)		**40**	(104)
Operating expenses	*3*	**(409,829)**	(381,655)
Profit from operations		**162,380**	227,990
Finance costs		**(14,647)**	(34,772)
Profit before taxation		**147,733**	193,218
Income tax	*4*	**(28,697)**	(28,953)
Profit attributable to shareholders		**119,036**	164,265
Dividend			
In respect of the period	*5*	**96,673**	–
Earnings per share (in HK$)			
– Basic	*6*	**0.20**	0.38
– Diluted	*6*	**0.20**	0.29
EBITDA	*7*	**265,811**	319,644

CONDENSED BALANCE SHEET

As at 30 June 2004 and 31 December 2003

	Note	**Unaudited 30 June 2004** *$'000*	Audited 31 December 2003 *$'000*
Non-current assets			
Fixed assets		**1,169,787**	1,149,770
Construction in progress		**34,395**	8,762
Secured deposits		**1,550**	1,631
Intangible assets		**30,539**	30,847
Deferred tax assets		**7,346**	36,043
		1,243,617	1,227,053
Current assets			
Inventories		**21,307**	18,932
Amount due from shareholders		**–**	20,595
Amount due from fellow subsidiaries		**–**	330
Amount due from a related company		**19,001**	–
Secured deposits		**26,021**	69,252
Trade and other receivables		**143,307**	143,946
Cash and cash equivalents		**184,555**	46,121
		394,191	299,176
Current liabilities			
Trade and other payables		**(264,656)**	(618,619)
Current portion of interest-bearing borrowings	*8*	**(150,000)**	(624,869)
Amount due to shareholders		**–**	(3,610)
Amount due to a related company		**(3,956)**	–
Convertible Preference Shares		**–**	(214,541)
		(418,612)	(1,461,639)
Net current liabilities		**(24,421)**	(1,162,463)
Total assets less current liabilities		**1,219,196**	64,590
Non-current liabilities			
Interest-bearing borrowings	*8*	**(150,000)**	–
Net Assets		**1,069,196**	64,590
Capital and reserves			
Share capital	*9*	**356,948**	433,000
Reserves	*10*	**712,248**	(368,410)
		1,069,196	64,590

Notes:

1. **TURNOVER**

The principal activity of the Company is the provision of mobile telecommunications and related services.

Turnover represents the value of goods sold and airtime and services charged to subscribers, net of returns and discounts:

	Six months ended 30 June	
	2004	2003
	$'000	*$'000*
Sales of handsets and accessories	**176,652**	144,749
Airtime and service charges	**654,134**	684,430
	830,786	829,179

2. **SEGMENT REPORTING**

For the six months ended 30 June 2004, the Company's turnover and operating profit were primarily attributable to its mobile communications operations in the Special Administrative Region of Hong Kong. Accordingly, no analysis by either business or geographical segment is included in these interim financial statements.

3. **OPERATING EXPENSES**

	Six months ended 30 June	
	2004	2003
Operating expenses include the following:	***$'000***	*$'000*
Depreciation	**94,065**	83,778
Amortisation of intangible assets	**9,366**	7,876
	103,431	91,654

4. **TAXATION**

a. No provision for Hong Kong Profits Tax has been made for the period as the Company had sufficient tax losses brought forward to offset the assessable profits for the period (2003: Nil).

b. Income tax expense charged to the condensed income statement represents:

	Six months ended 30 June	
	2004	2003
	$'000	*$'000*
Deferred tax		
Reversal of temporary differences	**28,697**	37,574
Effect of increase in tax rate on deferred tax at 1 January	**–**	(8,621)
Total income tax	**28,697**	28,953

c. Reconciliation between tax expense and accounting profit at applicable rate:

	Six months ended 30 June	
	2004	2003
	$'000	*$'000*
Notional tax on profit before tax calculated at 17.5 per cent	**25,853**	33,813
Tax effect of non-deductible expenses	**2,988**	3,761
Tax effect of non-taxable revenue	**(144)**	–
Effect on opening deferred tax balances resulting from increase in tax rate during the period	**–**	(8,621)
	28,697	28,953

5. INTERIM DIVIDEND

At a meeting held on 24 August 2004, the Directors declared an interim dividend of $96,673,000 ($0.13 per share) for the six months ended 30 June 2004 (2003: Nil). This declared dividend is not reflected as a dividend payable in these interim financial statements but will be accounted for as an appropriation of retained profits for the year ending 31 December 2004.

The Company did not pay any interim dividend during the six months ended 30 June 2004 (2003: Nil).

6. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profits attributable to shareholders of $119,036,000 (2003: $164,265,000) and the weighted average number of Ordinary Shares outstanding during the period of 588,320,510 (2003: 433,000,000).

Reconciliation:	**Number of Shares**
At 1 January 2004	**433,000,000**
Weighted average number of Ordinary Shares for new issued shares	74,725,000
Weighted average number of Ordinary Shares upon conversion of Preference Shares	77,062,500
Weighted average number of Ordinary Shares issued pursuant to the Capitalisation Issue	3,533,010
At 30 June 2004	**588,320,510**

For the six months ended 30 June 2004, there was no potentially dilutive share outstanding (2003: 154,125,000).

7. EBITDA

EBITDA represents earnings before interest, taxation, depreciation and amortisation expenses.

8. INTEREST-BEARING BORROWINGS

At 30 June 2004, the interest-bearing borrowings were repayable as follows:

	30 June 2004	31 December 2003
	$'000	*$'000*
Within 1 year	**150,000**	624,869
After 1 year but within 2 years	**150,000**	–
	300,000	624,869

On 10 March 2004, the Company entered into an unsecured HK$300 million loan facility with floating rate interest. The loan facility is repayable in four equal instalments with the final instalment repayable on 10 March 2006. The loan facility contains certain covenants requiring the Company, amongst other things, to maintain certain levels of net profits, net worth, cap on capital expenditure, liquidity and interest coverage. One of the events of default under the loan facility will be triggered if China Resources, the Company's controlling shareholder, cease either (i) to be the single largest shareholder or (ii) to hold 30 per cent. or more of the Company's Ordinary Shares.

On 1 April 2004, the facility was fully drawn down and the first instalment was repaid to the bank on 12 July 2004.

On 1 April 2004, the shareholders' loans of HK$624,869,000 was repaid.

9. SHARE CAPITAL

	30 June 2004	31 December 2003
	$'000	*$'000*
Authorised:		
2,500,000,000 Ordinary Shares of HK$0.48 each (31 December 2003: 433,000,000 Ordinary Shares of HK$1.00 each)	**1,200,000**	433,000
154,125,000 Preference Shares of HK$0.48 each (31 December 2003: 200,000,000 Preference Shares of HK$1.00 each)	**73,980**	200,000
	1,273,980	633,000
Issued and fully paid:		
743,641,019 Ordinary Shares of HK$0.48 each (31 December 2003: 433,000,000 Ordinary Shares of HK$1.00 each)	**356,948**	433,000

10. RESERVES

	Share Premium	**Other Reserve**	**Retained Profits/ (Accumulated Losses)**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
As at 1 January 2004	–	–	(368,410)	(368,410)
Capital Reduction	–	–	305,305	305,305
Issue of new shares (net of listing expenses)	596,654	–	–	596,654
Issue of new shares upon conversion of Preference Shares	–	63,055	–	63,055
Capitalisation Issue	(3,392)	–	–	(3,392)
Profits for the period	–	–	119,036	119,036
As at 30 June 2004	593,262	63,055	55,931	712,248

Notes:

1. The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

2. As at 30 June 2004, the Company had HK$118,986,000 reserve available for distribution to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Company has accomplished the following key financial milestones in the first half of 2004:

- On 17 February 2004, the High Court of Hong Kong confirmed the Company's petition on Capital Reduction.

- On 1 April 2004, the Company's shares were successfully listed on the main board of The Stock Exchange of Hong Kong Limited.

- By using the IPO proceeds and the proceeds from the draw-down of a new bank loan, the Company has repaid the shareholders' loans and accrued interest amounting to $929 million.

As a result, the Company's shareholders' fund was substantially increased by $1,004 million to $1,069 million in comparison with $65 million as at 31 December 2003 after the above financial arrangements.

Operating Performance

Despite brutal competition in the market, the Company succeeded in achieving profits attributable to shareholders of $119 million, in the six month period ended 30 June 2004, a 12 per cent. surge from $106 million of the previous six months ended 31 December 2003.

The Company's earnings before interest, tax, depreciation and amortisation ("EBITDA") for the reviewed period improved to $266 million (second half of 2003: $261 million).

Total turnover in the period increased by 2 per cent. to $831 million (second half of 2003: $813 million).

- Airtime and service charges in the period remained stable at $654 million (second half of 2003: $660 million). In order to match with other competitors, average monthly postpaid revenue per user (ARPU) for the period was slightly lower as more handset rebates and higher voice traffic discounts were offered to customers. However, the Company's postpaid average monthly churn rate for the period reduced to 3.4 per cent. from 3.8 per cent. and 3.9 per cent. for the average of the prior six months and the same period last year respectively.

- The successful launch of a series of comprehensive prepaid products has stimulated the Company's prepaid sales up by 14 per cent. in comparison with the corresponding period in 2003 or 3 per cent. in comparison with the previous six months to 31 December 2003.

- The Company's data revenue has recorded remarkable growth of 34 per cent. as compared with the second half of 2003. During the period under review, the Company continued to strengthen the contents of the COLOR portal, with the aim of ensuring that there are sufficient content to suit the wide-ranging interests of our customers. In addition, the Company also furthered its efforts in strengthening the data product knowledge of frontline staff, such that they are well equipped to educate the customers and promote data services. As a result, data services have received a boarder acceptance from data users which generated higher revenue for the Company.

- Handsets and accessories sales in the period were $177 million, a 16 per cent. jump from $153 million in the second half of 2003. The launch of the "instant rebate" program and having more new handset models with advanced features has stimulated the increase in handset sales.

Cost of goods sold and services provided increased to $260 million (second half of 2003: $237 million) arising from a higher volume of handsets sold and increasing local interconnection cost and infotainment services charges. These higher costs are reflected in the corresponding increases in handset sales and increasing traffic.

Even with the fact that the Company has achieved a solid niche as a low-cost operator, overall operating expenses (excluding depreciation and amortisation) for the six months ended 30 June 2004 was further reduced by 4 per cent. to $306 million as compared with the second half of 2003 of $318 million which indicates continuous operating efficiency and improved cost control.

Capital Structure and Use of Proceeds

On 17 February 2004, the Company received confirmation from the High Court of Hong Kong to allow the Company to reduce the accumulated losses in the amount of HK$305 million with the credit arising from reducing the nominal amount of the issued Ordinary and Preference Shares of the Company from HK$1.00 to HK$0.48 each. The above reduction has therefore enable the Company to bring forward the time to pay dividends.

The Company's shares were listed on The Stock Exchange of Hong Kong on 1 April 2004 with a Global Offering of 149,450,000 new shares and 119,075,000 of old shares to the public and institutional investors. The Global Offering raised a total of HK$680 million of new share capital to the Company. Upon the completion of the Global Offering, all convertible Preference Shares in the amount of HK$74 million was converted into Ordinary Shares of the Company and 7,066,019 Ordinary Shares were issued to the holders of Preference Shares in return for them agreeing to convert their Preference Shares and thereby forfeiting their respective rights to any cumulative preferential dividend in the amount of HK$32 million payable to them by the Company in the future.

On 1 April 2004, an unsecured HK$300 million floating rate loan facility has been fully drawn down. The unsecured loan is repayable in four instalments, with the final instalment repayable on 10 March 2006. The loan facility contains certain covenants requiring the Company, among other things, to maintain certain levels of net profits, net worth, cap on capital expenditure, liquidity, interest coverage and controlling shareholding of China Resources. There was no trigger of any events of default as at 30 June 2004.

Part of the net proceeds of the Global Offering and the draw-down of HK$300 million loan facility were used to repay the shareholders' loans and accrued interest thereon in the aggregate amount of HK$929 million. The remaining balance of the proceeds is kept in the form of short-term bank deposit and will be applied for general working capital purpose.

Liquidity and Financial Resources

The cash position of the Company has improved with cash and bank balances at 30 June 2004 of HK$185 million, verses HK$ 66 million at 30 June 2003.

The Company had a net cash inflow from operating activities during the period of HK$304 million. Net cash used in investing activities during the period was HK$211 million compared to HK$69 million in the same period in 2003 due to increase in investment on EDGE and perfecting the network. The Company also had an inflow of HK$46 million being the remaining balance of the net proceeds from the Global Offering.

At 30 June 2004, the net current liabilities of the Company amounted to HK$24 million. This was primarily due to an increase in the current portion of the outstanding HK$300 million bank loan drawn on 1 April 2004. Since the Company has continued to generate positive cash flow during the first six months of the year, the Directors are of the opinion that the Company can fund its ongoing capital expenditure and operating expenses for the remainder of the financial year from existing cash resources and its committed borrowing facilities.

At 30 June 2004, the total debt to total assets ratio reduced to 18.3 per cent. from 74.2 per cent. as at 31 December 2003.

Treasury Policy and Foreign Exchange Exposure

Under the period reviewed, the Company had placed its surplus funds on short-term deposit with banks in Hong Kong.

The Company's assets, liabilities, revenues and expenses were mainly denominated in Hong Kong dollars or U.S. dollars and the exchange rate between these two currencies has remained pegged. At 30 June 2004, no derivative financial instruments were used for financial risk management purpose (31 December 2003: HK$98 million).

CONTINGENT LIABILITIES

At 30 June 2004, the Company had obtained certain letters of guarantee from bank in aggregate of HK$2 million (31 December 2003: HK$2 million).

EMPLOYEES AND SHARE OPTION SCHEME

The Company had 596 full-time staff and 98 part-time and temporary staff as at 30 June 2004, all based in Hong Kong. Staff receives remuneration package consisting of basic salary, bonus and other benefits. Benefits include a mandatory provident fund scheme and medical insurance. Staff members are provided with both internal and external training appropriate to each individual's requirements.

The Company had approved a Pre-IPO share option scheme on 4 March 2004, under which the Company may grant options to the participants, including Directors and employees, to subscribe for shares of the Company at offer price at different exercise periods. During the reviewed period, 591 options to subscribe for 58,100,000 shares were granted to employees and Directors for a total consideration of HK$591. The share options are exercisable at HK$4.55 per share, which was the Offer Price of the Company's shares pursuant to the Global Offering.

During the six months ended 30 June 2004, no options were exercised and 27 options to subscribe for 1,350,000 shares were cancelled upon termination of employment of certain employees.

INTERIM DIVIDEND

The Directors declared an interim dividend of $0.13 (2003: Nil) per share for the six months ended 30 June 2004 to shareholders whose names appear in the Register of Members of the Company on 21 September 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20 September 2004 to Tuesday, 21 September 2004 (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, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 17 September 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except as disclosed above, during the six months ended 30 June 2004, the Company has not redeemed, purchased or sold any of the Company's shares.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Society of Accountants dated February, 2002.

The Audit Committee is comprised of all of the Independent Non-executive Directors (Mr. Lam Kwong Yu was appointed on 24 August 2004). The Audit Committee has reviewed the accounting principles and practices adopted by the Company and has also discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2004 with the external auditors and management.

The interim financial statements for the six months ended 30 June 2004 have not been audited but have been reviewed by the Company's external auditors.

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 in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for any part of the accounting period covered by the interim report, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY (“MODEL CODE”)

For the six months ended 30 June 2004, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. After having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors.

The financial information disclosed above complies with Appendix 16 of the Listing Rules and has been reviewed by the Audit Committee and the auditors before being put forward to the Directors for approval.

By order of the Board
Kong Kin Sing, James
Company Secretary

Hong Kong, 24 August 2004

As at the date of this announcement, the Company’s Board is comprised of

Executive Directors:
Mr. LEUNG Kai Hung Michael
(Executive Vice Chairman)
Ms. LEUNG Ka On Charlotte
Mr. WONG Man Kwan Willie
Mr. HENSHAW Charles Guy

Non-executive Directors:
Mr. NING Gao Ning *(Chairman)*
Mr. JIANG Wei
Mr. LI Fu Zuo
Mr. WU Jun
Dr. HUANG Zhi Jian
Mr. SINN Chung Ming Anthony

Independent Non-executive Directors:
Mr. CHEN Kwan Yiu Edward
Mr. MA Chiu Cheung Andrew
Mr. TAN Henry
Mr. LAM Kwong Yu

"Please also refer to the published version of this announcement in the South China Morning Post"