CHINA RESOURCES PEOPLES TELEPHONE COMPANY LIMITED

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

(Stock code: 331)

2004 ANNUAL RESULTS ANNOUNCEMENT

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

- **2004 turnover grew $40 million to $1,682 million**
- **2004 EBITDA was $535 million and profit attributable to shareholders reached $252 million**
- **Shareholders' funds substantially increased by $1,041 million to $1,106 million**
- **Cash position improved by $151 million to $197 million as at 31 December 2004**
- **Declared final dividend of $0.18 per share, making a total dividend for 2004 of $0.31 per share**

CHAIRMAN'S STATEMENT

2004 proved to be another challenging year within the highly competitive market. Despite the gradual fading out of the irrational price wars, which started in 2003, the mobile market is now facing aggressive third generation (3G) promotional offerings. I am glad to see that the Company continued to focus on its core business by revitalising its products and services lines, and thereby, improving the Company's financial position and maintaining a good return for its shareholders in 2004.

During the year, the Company has achieved several major financial milestones. On 17 February 2004, the High Court of Hong Kong confirmed the Company's petition on Capital Reduction. The Company's shares were successfully listed on the main board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 1 April 2004. The IPO proceeds along with the $300 million bank loan were used to repay the shareholders' loans and accrued interest amounting to $929 million. On 13 October 2004, the Company honoured its promise in the Global Offering Prospectus dated 22 March 2004 and paid an interim dividend of $0.13 per share to the shareholders.

2004 was also a year of innovation for the Company with the introduction of EDGE (Enhanced Data Rates for GSM Evolution) technology and the launch of "Mobile TV" in the third quarter. This new product line has enriched our service portfolios, stimulated data usage and attracted new mobile users to our fold. The Company is optimistic about the growth opportunities brought about by the new multi-media services and will continue to explore new mobile services and data contents needed by our customers.

FINANCIAL HIGHLIGHTS

In 2004, the Company has persevered through market challenges and posted significant improvements within the fiscal year. Despite the aggressive 3G promotional offerings, the Company's financial position is recovering from the past irrational price wars and the impact of the SARS (Severe Acute Respiratory Syndrome) epidemic. Total turnover and net profit took a decidedly upward track and continued to improve each quarter during the year.

Turnover was boosted for the year ended 31 December 2004 by 2.4 per cent over year 2003, to $1,682 million from $1,642 million respectively.

The Company's earnings before interest, tax, depreciation and amortisation ("EBITDA") was $535 million, showed a decline of 7.8 per cent. against $581 million in 2003. However, EBITDA showed an encouraging recovery of 3.2 per cent. increase when comparing between the second half of 2004 against the same period in 2003, or $270 million and $261 million respectively. Earnings before tax ("EBT") of $309 million slipped 5.1 per cent. against 2003 or $326 million. When comparing the second half between 2003 and 2004, EBT jumped significantly by 21.7 per cent. to $162 million in the second half versus $133 million during the same period in 2003.

Profit attributable to shareholders amounted to $252 million, which was a 6.8 per cent. slide from $270 million in 2003. Again, comparing the second half of the two years, net profit surged by 25.3 per cent. to $133 million in the second half of 2004 versus $106 million during the same period in 2003. Earnings per share for the year ended 31 December 2004 was $0.38.

The capital expenditure of the Company was reduced by 22.6 per cent. to $230 million in 2004 from $297 million in 2003 after the completion of Phase One of the EDGE rollout in 2004. This is all in-line with management's expectation.

DIVIDEND

At a meeting held on 17 March 2005, the Board of Directors declared a final dividend of $0.18 per share for the year ended 31 December 2004 (2003: Nil).

The Company had also declared an interim dividend of $0.13 per share (2003: Nil) for the six months ended 30 June 2004 which was paid to eligible shareholders on 13 October 2004.

The declared dividends are in keeping with our dividend recommendation as stated in the Global Offering Prospectus dated 22 March 2004.

BUSINESS REVIEW

During the year under review, we have continued to strive for excellence in customer service and improvement in network performance. In such a highly competitive market, the Company's dedication to its customers is one of the main reasons for the 7.6 per cent. growth in subscriber base to 1.13 million versus 1.05 million in 2003. PEOPLES brand image in the market continues to symbolise the best value for money for mobile services and the Company has been able to offer such attractive tariffs and packages by its relentless focus on effective cost control. At the same time, the Company has continued to deploy resources to further enhance network and service quality, through a close co-operation with the infrastructure and service platform suppliers.

Phase One of the EDGE network was completed in the third quarter of 2004 as per the original schedule. This "2.75G" technology debuted on 31 August 2004 in the form of the "Mobile TV" data service. EDGE is a substantial technical enhancement over the existing GPRS (General Packet Radio Service) 2.5G data services by allowing the introduction of a more cutting edge and higher speed multimedia data service. The decision to pursue the EDGE technology was made after a very long and careful study of the business case, along with the management's understanding of the needs of our customers. The capital expenditure required for the upgrade was considered minimal, as the augmentation was complementary to the existing network. The multimedia data services provided by EDGE are comparable to the much touted 3G offerings. With that in mind, the Company is particularly dedicated about working with local and overseas content providers to secure the best and most compelling materials for our new video streaming services. Our latest offerings include "Reuters News", "Music TV" and "Mobile Eye", a remote monitoring service amongst others. The Company is confident that the introduction of these new data packages over EDGE will meet the demands of the customers and further provide the impetus to accelerate the growth of the data revenue.

The management has also strived to grow the profile of the Company within the Regional and International Telecoms community by speaking and presenting on various topics at numerous trade shows and conferences through out the year.

The Company believes that PEOPLES has been effectively transformed into a multi-faceted public wireless telecommunications services operator in 2004. The Company has established a broader foundation for future revenue growth and is well positioned to defend its market share. The management and I look forward to building on this solid foundation in the coming years.

OUTLOOK

The mobile industry in Hong Kong is transforming into a new era. With the impassioned competition raging in the market, the traditional telecommunication industry is being viewed upon as more of a commodity business. The adoption of 3G technology and its associated data services is finally taking a foothold aided by substantial promotional offers and the introduction of acceptable handsets. The introduction of EDGE enabled multimedia data services by the Company with affordable tariffs has closely matched the new market demand.

Going forward, PEOPLES will continue to focus on growing its data and prepaid segments of the business and continuing to develop its voice business with attractive tariffs and improved network quality. The Company will launch more services that strive to further differentiate it from the other operators, based on its creative marketing strategies. The Company will also continue to benefit from and endeavour to improve upon the highly productive and cost efficient operating structure.

There are a couple of items on the horizon that the Company would like to take this opportunity to address to its shareholders. Firstly, the Company's second generation 1800 MHz PCS license will be up for renewal in September 2006. Under the current OFTA (The Office of the Telecommunications Authority) second public consultation, which ended on 19 June 2004 but is still not finalised, we are assured that all current 2G operators will have the right of first refusal for their 2G mobile license renewal.

Secondly, the Company is dealing positively with the current 3G competition. The launch of EDGE has enabled our customers to enjoy 3G-type services. And under each of the third generation licensing agreement, the Mobile Network Operator ("MNO") must assign at least 30% of its network capacity for non-affiliated parties who want to sub-license the extra capacity. The Company has been in discussion with MNOs with a view to become a Mobile Virtual Network Operator ("MVNO") at a point when the demand from its subscribers on multimedia data services could not be met with our existing technologies. The Company is very confident to meet the emerging challenges of new technologies.

The mobile industry is as dynamic as ever with innovations changing as quickly as they are created. The Company's ability to rapidly respond to these developments could mean the difference between success and failure. It is my belief that PEOPLES' performance has always been a proof to the Company's sound management and strategy. While the accomplishments do speak for themselves, the Company has no intention of resting on its laurels but will continuously adapt to the new technological evolution and capture any new business opportunities. I am confident that PEOPLES have the right infrastructure, strategy, partners, personnel and most importantly, the vision to succeed in the new era.

APPRECIATION

Firstly, I would like to thank the Board for its confidence in electing me to the post of Chairman. It is indeed an honour to serve in this position. I would also like to take this opportunity to express my deep gratitude to my predecessor, Mr. Ning Gao Ning for his wisdom and guidance that have benefited the Company so well. On behalf of myself and the management of the Company, we wish him well in his future new endeavours and he will be missed by all of us.

A review of our achievements would be incomplete without crediting our success to our employees. Our staff is energetic and dynamic. They are the cornerstones of our corporate culture for the development and continuous improvement of our innovations, services and customer care. Last but not least, I would also like to thank our loyal customers and our shareholders for their continual support as we embark on a new chapter.

RISKS STATEMENT

The business performance of the Company is subject to market competition, regulatory changes and even at times, from acts of God. Any forward looking statements made in this announcement with respect to China Resources Peoples Telephone's strategies or plans are made based solely on management's assumptions and beliefs with what information currently available to it.

Jiang Wei
Hong Kong, 17 March 2005 *Chairman*

RESULTS

The Directors are pleased to announce the audited financial results of the Company for the year ended 31 December 2004 and financial position as at 31 December 2004 as follows:

INCOME STATEMENT

For the year ended 31 December 2004

	Note	**2004** **\$'000**	2003 \$'000
Turnover	*1*	**1,681,994**	1,642,301
Direct cost of goods sold and services provided			
– Cost of handsets and accessories		**(327,689)**	(271,517)
– Interconnection costs		**(210,677)**	(186,568)
		1,143,628	1,184,216
Other revenue		**3,383**	3,903
Other net income		**154**	705
Operating expenses	*3*	**(821,021)**	(798,320)
Profit from operations		**326,144**	390,504
Finance costs		**(16,879)**	(64,516)
Profit from ordinary activities before taxation	*4*	**309,265**	325,988
Income tax	*5*	**(57,660)**	(55,912)
Profit attributable to shareholders		**251,605**	270,076
Dividend			
Interim dividend declared and paid during the year	*6*	**96,673**	–
Final dividend proposed after the balance sheet date	*6*	**133,855**	–
		230,528	–
Earnings per share *(in HK\$)*			
– Basic	*7*	**0.38**	0.62
– Diluted	*7*	**0.38**	0.49
EBITDA		**535,421**	581,012

BALANCE SHEET
As at 31 December 2004

	Note	**2004** ***$'000***	2003 *$'000*
Non-current assets			
Fixed assets		**1,167,152**	1,149,770
Construction in progress		**9,049**	8,762
Secured deposits		**–**	1,631
Intangible assets		**25,956**	30,847
Deferred tax assets	*10*	**–**	36,043
		1,202,157	1,227,053
Current assets			
Inventories		**28,493**	18,932
Amounts due from shareholders		**–**	20,595
Amounts due from fellow subsidiaries		**–**	330
Amounts due from related companies		**20,965**	–
Secured deposits		**23,221**	69,252
Trade and other receivables		**154,330**	143,946
Cash and cash equivalents		**196,749**	46,121
		423,758	299,176
Current liabilities			
Trade and other payables		**(269,466)**	(618,619)
Current portion of interest-bearing borrowings	*8*	**(150,000)**	(624,869)
Amounts due to shareholders		**–**	(3,610)
Amounts due to related companies		**(3,903)**	–
Convertible Preference Shares	*9*	**–**	(214,541)
		(423,369)	(1,461,639)
Net current assets/(liabilities)		**389**	(1,162,463)
Total assets less current liabilities		**1,202,546**	64,590
Non-current liabilities			
Interest-bearing borrowings	*8*	**(75,000)**	–
Deferred tax liabilities	*10*	**(21,617)**	–
		(96,617)	–
Net assets		**1,105,929**	64,590
Capital and reserves			
Share capital	*11*	**356,948**	433,000
Reserves	*12*	**748,981**	(368,410)
		1,105,929	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:

	2004	2003
	$'000	*$'000*
Sales of handsets and accessories	**358,363**	297,445
Airtime and service charges	**1,323,631**	1,344,856
	1,681,994	1,642,301

2. **SEGMENT REPORTING**

For the year ended 31 December 2004, the Company's turnover and operating profit were solely 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.

3. **OPERATING EXPENSES**

	2004	2003
	$'000	*$'000*
Network maintenance costs	**254,111**	245,066
Sales and marketing costs	**93,866**	87,910
Administrative expenses	**54,862**	51,290
Staff costs	**142,930**	149,952
Depreciation and amortisation	**209,277**	190,508
Other operating expenses	**65,975**	73,594
	821,021	798,320

4. **PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

Profit from ordinary activities before taxation is arrived at after charging the following:

	2004	2003
	$'000	*$'000*
Auditors' remuneration	**400**	330
Other professional services	**344**	27
Loss on sale of fixed assets	**254**	6,658
Operating lease rentals in respect of properties	**184,487**	175,079
Provision for bad and doubtful debts	**24,794**	30,895

5. **TAXATION**

a. Hong Kong Profits Tax is calculated at 17.5 per cent. (2003: 17.5 per cent.) on the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2004 as the Company has sufficient tax losses brought forward to offset the assessable profits for the year (2003: Nil).

b. Income tax expenses represents:

	2004	2003
	$'000	*$'000*
Current tax	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**57,660**	64,533
Effect of increase in tax rate on deferred tax at 1 January	**–**	(8,621)
Total income tax expense	**57,660**	55,912

6. DIVIDENDS

	2004	2003
	$'000	*$'000*
Interim dividend declared and paid, of $0.13 (2003: Nil) per share	**96,673**	–
Final dividend proposed after the balance sheet date, of $0.18 (2003: Nil) per share	**133,855**	–
	230,528	–

The proposed final dividend is not reflected as a dividend payable in these financial statements.

7. BASIC AND DILUTED EARINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $251,605,000 (2003: $270,076,000) and the weighted average number of Ordinary Shares outstanding during the year of 666,405,137 (2003: 433,000,000).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to Ordinary Shareholders of $251,605,000 (2003: $285,489,000) and the weighted average number of Ordinary Shares of 666,405,137 as at 31 December 2004 (2003: 587,125,000).

8. BANK AND OTHER INTEREST-BEARING BORROWINGS

At 31 December 2004, the bank loan and other interest-bearing borrowings are repayable as follows:

	2004	2003
	$'000	*$'000*
Within 1 year	**150,000**	624,869
After 1 year but within 2 years	**75,000**	–
	225,000	624,869

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

9. CONVERTIBLE PREFERENCE SHARES

	2004	2003
	$'000	*$'000*
5 per cent convertible, redeemable, cumulative and participating Preference Shares of $1 each	**154,125**	154,125
Cumulative preference dividend	**32,150**	30,208
Redemption premium	**30,905**	30,208
Capital Reduction	**(80,145)**	–
Conversion of Preference Shares to Ordinary Shares	**(73,980)**	–
Transferred to Other Reserve	**(63,055)**	–
	–	214,541

On 1 April 2004, the Preference Shareholders converted their respective Preference Shares into fully paid Ordinary Shares at the conversion rate of one Ordinary Share for every one Preference Share. The accrued redemption premium was extinguished and the accrued preference dividends lapsed pursuant to the Capitalisation Issue. These amounts have been transferred to the "Other Reserve" account.

10. DEFERRED TAXATION

The components of deferred tax assets and liabilities recognised in the balance sheet for the year are as follows:

	2004	2003
	$'000	*$'000*
Depreciation allowances in excess of related depreciation	**(121,813)**	(118,723)
General provision for bad debts	**4,604**	6,929
Tax losses	**95,592**	147,837
Deferred tax (liabilities)/assets	**(21,617)**	36,043

The Company had no significant unprovided deferred tax assets or liabilities at the balance sheet date.

11. SHARE CAPITAL

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

12. 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)	597,491	–	–	597,491
Issue of new shares upon conversion of Preference Shares	–	63,055	–	63,055
Capitalisation issue	(3,392)	–	–	(3,392)
Dividend declared and approved during the year	–	–	(96,673)	(96,673)
Profit for the year	–	–	251,605	251,605
As at 31 December 2004	**594,099**	**63,055**	**91,827**	**748,981**

As at 31 December 2004, the Company had $154,882,000 reserve available for distribution.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING PERFORMANCE

In fiscal year 2004, the Company persevered through tough market challenges to post significant improvements during the year. Despite keen competition in the market, the Company recorded $40 million growth of turnover to $1,682 million for the year ended 31 December 2004 as compared to $1,642 million for 2003.

Turnover

- Airtime and service revenue was slightly lowered to $1,324 million for 2004 as compared to $1,345 million in 2003. In order to match with other competitors, more handset rebates and voice traffic discounts were offered to customers in 2004 which had lowered average monthly postpaid revenue per user (ARPU).
- The reduction in postpaid voice revenue was partially offset by a surge of 35.3 per cent. in data revenue in 2004. The Company has continued to strengthen the contents of the COLOR portal which included the launch of "Mobile TV" service in August 2004. It was expected that with the deployment of EDGE technology and the continuous enrichment of our service portfolios would stimulate interest and demand of our customers. It is encouraging to note that postpaid data revenue in the second half of the year had surged 53.1 per cent. in comparison with the same period in 2003.
- Prepaid revenue in 2004 has an encouraging growth of 25.0 per cent. During the year, the successful inauguration of a comprehensive range of prepaid products on targeted segments had proved to be the right strategy. Again, the prepaid revenue in the second half of 2004 was a 35.3 per cent. jump versus the second half of 2003.
- Handsets and accessories sales in 2004 were $358 million, a 20.5 per cent. jump from $297 million in 2003. The adoption of the "Instant rebate" strategy and the offer of more new handset models with advanced features have stimulated the increase in handset sales.

Cost of goods sold and services provided

Cost of goods sold and services provided increased to $538 million (2003: $458 million) arising from a higher volume of handsets sold, increasing interconnection cost and infotainment services charges. The higher cost is reflected in the corresponding increases in handset sales, increasing traffic and higher data revenue.

Operating expenses

Overall operating expenses (excluding depreciation and amortisation) remained flat at $612 million for the year ended 31 December 2004 as compared to $608 million last year. To enhance operating efficiency and to maintain effective cost control continues to be the main focus of the management despite the low cost base of the Company.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")

EBITDA decreased 7.8 per cent. to $535 million versus $581 million in 2003. However, EBITDA in the second half of 2004 rebounded by 3.2 per cent. to $270 million as compared to $261 million same period in 2003.

Finance costs

As a result of IPO and better financial arrangements in 2004, finance costs decreased by $48 million from $65 million in 2003 to $17 million in 2004. The reduction was mainly attributable to full settlement of the shareholders' loans plus accrued interest of $929 million on 1 April 2004. And upon the conversion of Preference Shares which took place on 1 April 2004, the Company ceased the accrual of cumulative Preference Shares dividends and redemption premium on Preference Shares.

Profit for the year

Despite the decrease in tariffs due to the irrational price wars in 2003, profit attributable to shareholders only slightly decreased to $252 million in 2004 from $270 million in 2003. In fact, it is very encouraging to see the continuous improvement in profitability during the year with 25.3 per cent. increase in net profit of $133 million in the second half year of 2004 in comparison with $106 million same period in 2003.

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 $305 million with the credit arising from reducing the nominal amount of the issued Ordinary and Preference Shares of the Company from $1.00 to $0.48 each. The above reduction has enabled the Company to pay the first interim dividend of $0.13 per share on 13 October 2004.

The Company's shares were listed on the Stock Exchange 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 $680 million of new share capital to the Company. Upon the completion of the Global Offering, all convertible Preference Shares in the amount of $74 million were 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 $32 million payable to them by the Company in the future.

On 1 April 2004, an unsecured $300 million floating rate loan facility was fully drawn down. The unsecured loan is repayable in instalments. The first instalment was repaid in July 2004 and the final instalment is repayable in 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 the controlling shareholding of China Resources. There was no trigger of any events of default as at 31 December 2004.

Part of the net proceeds of the Global Offering and the draw down of $300 million loan facility were used to repay the shareholders' loans and accrued interest thereon in the aggregate of amount of $929 million. The remaining balance of the proceeds was applied for general working capital purposes.

CAPITAL EXPENDITURE

Total capital expenditure reduced by 22.6 per cent. to $230 million in 2004 from $297 million in 2003. The majority of the capital expenditure in 2004 was for the EDGE network rollout, 2G network upgrade and expansion to further optimise the Company's network quality. The peak investment period on EDGE has ended as the Phase One rollout has been successfully completed.

LIQUIDITY AND CAPITAL RESOURCES

The cash position of the Company has significantly improved with cash and bank balances at 31 December 2004 increased to $197 million, versus $46 million in 2003.

The Company had a net cash inflow from operating activities during the year of $590 million. Net cash used in investing activities during the year was $305 million compared to $206 million in 2003. The increase is mainly due to the payment of capital expenditure brought forward from last year and to fund additional network investment in 2004. The net cash outflow from financing activities of $134 million was attributable to the repayment of shareholders' loan and accrued interest thereon by using the net proceeds from the IPO and draw down of a bank loan.

As at 31 December 2004, the Company only had outstanding borrowings of $225 million. The total debt to total assets ratio was reduced to 13.8 per cent. from 74.2 per cent. as at 31 December 2003.

The Directors are of the opinion that the Company can fund its ongoing capital expenditure, working capital requirements and fulfil its loan obligations with internal cash resources and borrowing facilities.

TREASURY POLICY AND FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2004, the Company placed its surplus funds on short-term deposits 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 31 December 2004, no derivative financial instruments were used for financial risk management purpose (2003: $98 million).

CHARGE ON ASSETS

At 31 December 2004, certain cash and properties of the Company with an aggregate carrying value of $44 million were pledged to banking facilities utilised by the Company (2003: $92 million).

CONTINGENT LIABILITIES

As at 31 December 2004, the Company had obtained certain letters of guarantee from a bank of $2 million (2003: $2 million) in aggregate.

EMPLOYEES AND SHARE OPTIONS

The Company had 627 full-time staff and 104 part-time and temporary staff as at 31 December 2004, all based in Hong Kong. Staff receive remuneration packages 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 their individual requirements.

A share option scheme (the "Share Option Scheme") has been approved by a resolution in writing of the shareholders of the Company on 4 March 2004. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors (including Independent Non-executive Directors), consultants and advisors of the Company.

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 year of 2004, 591 options to subscribe for 58,100,000 shares were granted to employees and Directors for a total consideration of $591. The share options are exercisable at $4.55 per share, which was the Offer Price of the Company's shares pursuant to the Global Offering.

During the year ended 31 December 2004, no options were exercised and 53 options to subscribe for 3,750,000 shares were cancelled upon the resignation of a Director and termination of employment of certain employees.

AUDIT COMMITTEE

The Audit Committee comprises of four Independent Non-executive Directors and reports to the Board of Directors. The Audit Committee meets with the Company's senior management and external auditors regularly to review the effectiveness of the internal control systems as well as the interim and annual report of the Company.

The Committee has reviewed the annual results for the year 31 December 2004 and was content that the accounting policies of the Company are in compliance with the Hong Kong Generally Accepted Accounting Practice.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied in the period between the date of the listing of the Company's shares on the Main Board of the Stock Exchange and 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

DIVIDEND

The Directors recommend the payment of a final dividend of $0.18 per share to the shareholders registered in the Company's register of members as at the close of business on 25 April 2005. The proposed final dividend, together with the interim dividend of $0.13 per share paid by the Company during the year, make a total dividend of $0.31 per share (2003: Nil) for the financial year ended 31 December 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 26 April 2005 to Thursday, 28 April 2005 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the aforesaid final 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 Monday, 25 April 2005.

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

Hong Kong, 17 March 2005

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

Chairman & Non-Executive Director
Mr. JIANG Wei *(appointed Chairman on 17 March 2005)*

Executive Vice Chairman & Executive Director
Mr. LEUNG Kai Hung, Michael

Executive Directors
Mr. HENSHAW Charles Guy, Chief Executive Officer
Mr. WONG Man Kwan, Willie
Ms. WONG LEUNG Ka On, Charlotte

Non-Executive Directors
Dr. HUANG Zhi Jian
Mr. LI Fu Zuo
Mr. SINN Chung Ming, Anthony
Mr. WU Jun
Mr. YAN Biao *(appointed on 17 March 2005)*

Independent Non-Executive Directors
Professor CHEN Kwan Yiu, Edward
Mr. LAM Kwong Yu
Mr. MA Chiu Cheung, Andrew
Mr. TAN Henry

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