



# China Resources Peoples Telephone Company Limited

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

(Stock code: 331)

## First Quarter Statement 2005 (January – March)

To enhance the transparency of the Company and provide timely additional information with which shareholders, investors and the general public may better appraise the business and financial position of the Company, the Board of Directors (the “**Board**”) of China Resources Peoples Telephone Company Limited (the “**Company**” or “**PEOPLES**”) announces certain selected unaudited key performance indicators of the Company for the first quarter of 2005.

### HIGHLIGHTS

|                                       | Unaudited<br>1st Qtr 2005 | Unaudited<br>1st Qtr 2004 | Percentage<br>Change<br>Increase/<br>(Decrease) |
|---------------------------------------|---------------------------|---------------------------|---|
| Turnover (In HK\$ million)            | 459                       | 424                       | 8.2%  |
| EBITDA (In HK\$ million)              | 127                       | 140                       | (9.5%)  |
| Net Profit (In HK\$ million)          | 56                        | 60                        | (7.4%)  |
| Capital Expenditure (In HK\$ million) | 49                        | 57                        | (14.5%)   |
| Subscriber Number (000's)             | 1,163                     | 1,039                     | 12.0%   |
| ARPU (period end – after rebate)      | <u>HK\$154</u>            | <u>HK\$155</u>            | <u>(0.8%)</u>                                   |

### MANAGEMENT DISCUSSION & ANALYSIS

Total turnover for the first three months ended 31 March 2005 increased by 8.2% to \$459 million as compared to \$424 million for the same quarter in 2004. Profit attributable to shareholders slightly decreased to \$56 million from \$60 million in the first quarter of 2004, as there are less calendar day and more holidays in the first quarter of 2005 in comparison with the same period last year.

- Airtime and service revenue soared to \$330 million during the first quarter as compared to \$325 million in the same quarter last year. The heavy voice promotions by other operators have continued to exert pressure on our postpaid voice revenue as expected. However, the negative impact was more than offset by a remarkable growth of 46.5% in prepaid and 24.5% in data revenue. PEOPLES has focused on these two areas since last year as the accentuation for on going growth. The successful inauguration of a comprehensive range of prepaid products on selected segments in the second half of 2004 had maintained its momentum. The Company has appraised precisely on the trend of the data services and continued to capture the revenue growth potentials with rational investment and to generate good returns.

- Both Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$127 million and net profit of \$56 million had decreased by 9.5% and 7.4% respectively in comparison with the first quarter of 2004. The seasonal aspects as mentioned and the launch of aggressive tariff and rebate promotions by some competitors have resulted in pressure on the margins. However, PEOPLES' profitability maintained at a very stable level despite keen competition in the market place.
- Subscriber number had increased to 1,163,000 by the end of March 2005 which represented a continuous improvement or a 12.0% jump in base from 1,039,000 in the same quarter of 2004. Average monthly postpaid revenue per user (ARPU) as at the end of the first quarter in 2005 of \$154 is relatively stable as compared to \$155 in the same period last year, helped by the Company continuously to uplift service value to customers so as to differentiate from other operators.
- The capital expenditure reduced to \$49 million as compared to \$57 million in the same quarter in 2004. With the EDGE network essentially completed, the Company will only spend on capital expenditure which can capture additional revenues and on areas which can perfect our network and improve service level.

## **BUSINESS OVERVIEW**

The Company has been challenged on so many fronts. However, it is encouraging to see that, taking the seasonal effect aside, we have been maintaining solid profitability. With foresight and providence, the management had recognised the need to maintain a highly efficient and low cost operation, which is now serving the Company well in furtherance the bottom line amidst the commoditised product offerings in the market.

Going forward, the management does foresee a heavier competition with all 3G operators during the rest of this year. While our competitors are diverting resources on a technology that has yet to fulfil its promises, the Company will focus on our "Back to Basic" strategy by strengthening and developing a variety of voice service offerings to different users. Our distinctive prepaid cards that target specific segments of the market have done extremely well due to our in-depth understanding of customers' needs. With the introduction of "Mobile TV" in the third quarter of 2004, the Company is more than ready in its ensuing battle with third generation offerings and to face the challenges ahead.

## **DIVIDEND**

At a meeting held on 23 May 2005, the Board of Directors declared an interim dividend of \$0.06 per share for the quarter ended 31 March 2005 (1st Qtr 2004: Nil). It is expected that the quarterly interim dividend warrants will be dispatched to shareholders on or about 13 July 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Tuesday, 21 June 2005 to Wednesday, 22 June 2005 (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 Monday, 20 June 2005.

**The Board wishes to remind investors that the above key performance indicators are based on the Company's unaudited management accounts. Investors are cautioned not to unduly rely on such data. In the meantime, investors are advised to exercise caution in dealing in the securities of the Company.**

**Jiang Wei**

*Chairman of the Board of Directors*

Hong Kong, 23 May 2005

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

**Chairman & Non-executive Director:**

Mr. JIANG Wei

**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

**Independent Non-executive Directors:**

Professor CHEN Kwan Yiu, Edward

Mr. LAM Kwong Yu

Mr. MA Chiu Cheung, Andrew

Mr. TAN Henry

*This Report will be dispatched to Shareholders on 1st June 2005 and is also available at the Investor Relations section in the Company's website at [www.peoples.com.hk](http://www.peoples.com.hk) and at The Stock Exchange of Hong Kong Limited's website at [www.hkex.com.hk](http://www.hkex.com.hk)*

Please also refer to the published version of this announcement in SCMP-Business.