

**CHINA RESOURCES PEOPLES TELEPHONE COMPANY LTD:
FOR WHAT REASON WOULD ANY SANE PERSON
WANT TO INVEST IN THIS COMPANY ?**

It will always be a great mystery to this medium to understand the reason that anybody, in his/her right mind, would have wanted to subscribe to the shares of China Resources Peoples Telephone Company Ltd (Code: 331, Main Board, The Stock Exchange of Hongkong Ltd) when it went public on March 22, 2004.

Disregarding any political motives in such purchases, of course.

The Company, by its own admission, had been a dud since its was founded in 1997.

It only managed to see black ink in the past 2 Financial Years, leading up to its public listing in The Hongkong Special Administrative Region (HKSAR) of the People's Republic China (PRC).

Further, about 98 percent of the estimated Net Proceeds from the March, cash-raising exercise was earmarked for the repayment of loans to existing shareholders.

The entire Prospectus of China Resources Peoples Telephone is full of very negative aspects of this mobile telephone company, one of 6 such companies, operating in the HKSAR – and the one, facing, perhaps, the most considerable difficulties.

However, in spite of all this – and more – the flotation, as far as senior Management of the Company was concerned, most likely was considered a success!

Because, the Company did, after all is said and done, manage to husband about \$HK643 million, net of expenses.

The Flotation

China Resources Peoples Telephone pitched a Global Offering of 268,525,000, 48-cent Shares at a Price, not greater than \$HK5.65 per Share.

On March 29, 2004, when all of the applications for the Shares had been counted, the Company put out this Notice:

'The Offer Price has been fixed by agreement between the Global Coordinator, on behalf of the Hong Kong Underwriters, and the Company at HK\$4.55 per Share ...

'The net proceeds of the Global Offering accruing to the Company and the Selling Shareholders (after deducting the relevant expenses and based on the final Offer Price of HK\$4.55 per Share and assuming that the Over-allotment Option is not exercised) amount to approximately HK\$643.0 million and HK\$528.2 million, respectively. Of the approximately HK\$643.0 million net proceeds of the Global Offering accruing to the Company, approximately HK\$629.4 million

will be used by the Company for repaying shareholders loans and accrued interest thereon and the remaining amount will be used by the Company as general working capital.'

By **TARGET**'s rough calculations, therefore, about 98 percent of all of the monies, raised in this IPO (**I**nitial **P**ublic **O**ffering), went to repay loans, extended in the past by the Substantial Shareholders of the Company, prior to it going public on the Main Board of The Stock Exchange of Hongkong Ltd.

The March 29 announcement, also, stated that 7 corporate investors had subscribed for about 73.90 percent of the entire International Share Placements, representing about 198,318,000 Shares.

Those 7 corporate investors were all said to be independent parties, not associated with the Company, its Directors, Chief Executive, or Substantial Shareholders, etc, etc, etc.

In addition, a total of 1,213 valid applications for Shares in the Issued Share Capital of China Resources Peoples Telephone had been received for a total of 14,334,500 Shares, equivalent to about 53.40 percent of the total number of 26,852,500 Shares, available under the HKSAR tranche of the flotation.

That left the Global Coordinator, UBS Investment Bank, to eat some 21,400,000 Shares, representing about 8.40 percent of the Issued Share Capital of the Company.

In summary, therefore, the flotation was not a huge success, as far as HKSAR investors were concerned, and, internationally, it could have been described as a wet squib.

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