

'77 profit set to top \$154m

\$175m 'rights' by Telephone

HONGKONG Telephone's directors, predicting a 1977 profit of more than \$154 million, have decided to raise \$175.5 million by a rights issue to cover debts and meet growing capital expenditure requirements as demand for telephone services rises.

The rights issue plan took much of the financial community by surprise — but the stock market was already talking about it before yesterday's interim announcement from the directors, and rumours sent share prices slightly lower.

The company intends to make a one-for-six issue of 7.2 million new shares at \$25 each, which

compares with Hongkong Telephone's closing price on the Hongkong Stock Exchange yesterday of \$32.25 after the shares fell 50 cents.

The directors said unaudited net after-tax profit to June 30 this year was \$75.8 million, up 4.4 per cent from last year's half-way profit. The figure was about in line with market expectations, though some analysts were slightly disappointed.

Interim dividend on the company's 42.5 million shares will be 50 cents, compared with 40 in 1976, payable on September 26.

Based on profit expectations of more than \$154 million for the whole year the final dividend should be \$1 a share, the directors said, compared with 95 cents the year before. The company's forecast profit would be 12 per cent up on the \$137.5 million net recorded at the end of last year.

Demand for telephone services continued to grow during the first half of the year; 76,494 exchange lines were installed, up from 71,023 during the comparable 1976 period, while the 35,371 cessations this year compared with 34,005 previously.

The net 41,123 gain is up 11 per cent from the first half of 1976.

The directors said there was every indication that the current high level of demand would be maintained.

The rights issue shares will not rank for the 50-cent interim but will rank pari passu in all other respects. They will be payable in full on acceptance by October 3. The issue has been underwritten by Jardine Fleming and Wardley. Shareholders should receive the issue documents on September 5 or 6.

Hongkong Telephone's register will be closed from August 22 to September 3. Yesterday's 50-cent decline in the company's shares left them at the level they began trading this year, compared with a seven per cent decline on the Hang Seng Index during the same period.

They might see a further decline today, along with the rest of the stock market, following the rights issue announcement, analysts thought. Telephone weakness yesterday depressed both China Light and Hongkong Electric, and had a slightly bearish effect on the rest of the market.

Hongkong Telephone's last rights issue was in May last year, and according to chairman Ronald Ross went a long way in enabling the company to repay all its local bank borrowings and a number of overseas commitments.