

**FIRST MOBILE GROUP HOLDINGS LIMITED**  
第一電訊集團有限公司



# MASTERING THE MOBILE ARENA



INTERIM REPORT 2004  
二零零四年中期業績報告

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at [www.hkgem.com](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

## **HIGHLIGHTS**

For the six months ended 30th June, 2004, First Mobile Group Holdings Limited and its subsidiaries recorded satisfactory results despite a competitive operating environment. Highlights of the six months' performance are as follows:

- The Group recorded a turnover of approximately HK\$2,985 million, representing a decrease of 2% over the same period of 2003
- Gross profit was approximately HK\$209 million, representing an increase of 31% over the same period of 2003
- Profit attributable to shareholders was approximately HK\$49 million, representing an increase of 156% over the same period of 2003
- Basic earnings per share was HK2.5 cents, representing an increase of approximately 156% over the same period of 2003
- Sold approximately 1.8 million units of mobile phones

## INTERIM FINANCIAL STATEMENTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") are pleased to announce the unaudited financial information of the Company and its subsidiaries (collectively the "Group") for the three months and the six months ended 30th June, 2004 (the "Periods") together with the unaudited comparative figures in 2003:

### Unaudited Condensed Consolidated Profit and Loss Account

For the three months and the six months ended 30th June, 2004

|   | Note | Three months ended<br>30th June, |                  | Six months ended<br>30th June, |                  |
|---|------|----------------------------------|------------------|--------------------------------|------------------|
|   |      | 2004<br>HK\$'000                 | 2003<br>HK\$'000 | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Turnover  | 2    | <b>1,377,836</b>                 | 1,633,176        | <b>2,985,251</b>               | 3,048,347        |
| Cost of sales                                   |      | <b>(1,287,665)</b>               | (1,557,987)      | <b>(2,776,751)</b>             | (2,889,672)      |
| Gross profit                                    |      | <b>90,171</b>                    | 75,189           | <b>208,500</b>                 | 158,675          |
| Other revenues                                  | 2    | <b>1,629</b>                     | 1,628            | <b>3,087</b>                   | 3,071            |
| Selling and distribution expenses               |      | <b>(20,418)</b>                  | (10,904)         | <b>(48,305)</b>                | (26,205)         |
| General and administrative expenses             |      | <b>(37,867)</b>                  | (34,019)         | <b>(74,959)</b>                | (79,141)         |
| Other operating expenses, net                   | 3    | <b>(3,099)</b>                   | (3,470)          | <b>(3,250)</b>                 | (3,801)          |
| Operating profit                                | 4    | <b>30,416</b>                    | 28,424           | <b>85,073</b>                  | 52,599           |
| Finance costs                                   | 5    | <b>(7,659)</b>                   | (8,832)          | <b>(14,686)</b>                | (16,710)         |
| Share of loss of a jointly<br>controlled entity |      | -                                | -                | -                              | (166)            |
| Profit before taxation                          |      | <b>22,757</b>                    | 19,592           | <b>70,387</b>                  | 35,723           |
| Taxation  | 6    | <b>(7,646)</b>                   | (7,994)          | <b>(24,735)</b>                | (13,840)         |
| Profit after taxation                           |      | <b>15,111</b>                    | 11,598           | <b>45,652</b>                  | 21,883           |
| Minority interests                              |      | <b>2,926</b>                     | (1,016)          | <b>3,544</b>                   | (2,694)          |
| Profit attributable to shareholders             |      | <b>18,037</b>                    | 10,582           | <b>49,196</b>                  | 19,189           |
| Basic earnings per share                        | 8    | <b>HK0.93 cent</b>               | HK0.54 cent      | <b>HK2.53 cents</b>            | HK0.99 cent      |

## Unaudited Condensed Consolidated Balance Sheet

As at 30th June, 2004

|  | Note | <b>30th June,<br/>2004<br/>(unaudited)<br/>HK\$'000</b> | 31st December,<br>2003<br>(audited)<br>HK\$'000 |
|--|------|---|---|
| Non-current assets                       |      |   |   |
| Intangible assets                        | 9    | <b>20,599</b>   | 24,075  |
| Fixed assets                             | 10   | <b>81,593</b>   | 84,634  |
| Deferred tax assets                      |      | <b>5,157</b>  | 4,576   |
|  |      | <b>107,349</b>  | 113,285   |
| Current assets                           |      |   |   |
| Inventories                              |      | <b>426,366</b>  | 335,947   |
| Other securities                         |      | <b>587</b>  | 599   |
| Trade receivables                        | 11   | <b>942,616</b>  | 837,424   |
| Other receivables and<br>prepayments     |      | <b>111,759</b>  | 154,829   |
| Tax recoverable                          |      | <b>1,815</b>  | 5,879   |
| Bank balances and cash                   |      |   |   |
| – pledged                                |      | <b>345,896</b>  | 337,589   |
| – not pledged                            |      | <b>111,279</b>  | 132,759   |
|  |      | <b>1,940,318</b>  | 1,805,026                                       |
| Current liabilities                      |      |   |   |
| Trade payables                           | 12   | <b>324,982</b>  | 294,778   |
| Bills payable                            |      | <b>241,931</b>  | 168,730   |
| Other payables and accrued charges       |      | <b>120,916</b>  | 110,158   |
| Current portion of long-term liabilities |      | <b>4,124</b>  | 36,050  |
| Taxation payable                         |      | <b>20,853</b>   | 12,039  |
| Bank loans and overdrafts                |      |   |   |
| – secured                                |      | <b>510,308</b>  | 527,115   |
| – unsecured                              |      | <b>15,577</b>   | 2,758   |
|  |      | <b>1,238,691</b>  | 1,151,628                                       |

|                                       | <b>30th June,<br/>2004<br/>(unaudited)<br/>HK\$'000</b> | 31st December,<br>2003<br>(audited)<br>HK\$'000 |
|---------------------------------------|---|---|
| Net current assets                    | <b>701,627</b>  | 653,398   |
| Total assets less current liabilities | <b>808,976</b>  | 766,683   |
| Financed by:                          |   |   |
| Share capital                         | <b>194,570</b>  | 194,570   |
| Reserves                              | <b>603,618</b>  | 554,825   |
| Shareholders' funds                   | <b>798,188</b>  | 749,395   |
| Minority interests                    | <b>3,780</b>  | 7,272   |
| Non-current liabilities               |   |   |
| Long-term liabilities                 | <b>6,778</b>  | 9,027   |
| Deferred tax liabilities              | <b>230</b>  | 989   |
|                                       | <b>808,976</b>  | 766,683   |

## Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2004

|   | <b>Six months ended</b> |          |
|---|-------------------------|----------|
|   | <b>30th June,</b>       |          |
|   | <b>2004</b>             | 2003     |
|   | <b>HK\$'000</b>         | HK\$'000 |
| Net cash from operating activities        | <b>27,487</b>           | 60,128   |
| Net cash used in investing activities     | <b>(12,760)</b>         | (41,663) |
| Net cash used in financing activities     | <b>(50,796)</b>         | (65,697) |
| Effects of exchange rate changes          | <b>1,770</b>            | (935)    |
| Net decrease in cash and cash equivalents | <b>(34,299)</b>         | (48,167) |
| Cash and cash equivalents at 1st January  | <b>130,001</b>          | 173,750  |
| Cash and cash equivalents at 30th June    | <b>95,702</b>           | 125,583  |

### Analysis of balances of cash and cash equivalents

|                                    | <b>30th June,</b> | 30th June, |
|------------------------------------|-------------------|------------|
|                                    | <b>2004</b>       | 2003       |
|                                    | <b>HK\$'000</b>   | HK\$'000   |
| Non-pledged bank balances and cash | <b>111,279</b>    | 125,600    |
| Bank overdrafts                    | <b>(15,577)</b>   | (17)       |
|                                    | <b>95,702</b>     | 125,583    |

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2004

|   | Share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Properties<br>revaluation<br>reserve<br>HK\$'000 | Merger<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Reserve<br>fund<br>(note (i))<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Retained<br>earnings<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|------------------------------|--|-------------------------------|--------------------------------|---|---------------------------------|----------------------------------|-------------------|
| Balance at 1st January, 2004  | 194,570                      | 127,258                      | 3,120  | 3,994                         | 162                            | 4,872                                     | (233)                           | 415,652                          | 749,395           |
| <b>Net gains not recognised in the<br/>profit and loss account</b>                          |                              |                              |  |                               |                                |   |                                 |                                  |                   |
| Exchange differences  | -                            | -                            | -  | -                             | -                              | -   | 572                             | -                                | 572               |
| <b>Reserve transferred to profit and<br/>loss account upon disposal of<br/>a subsidiary</b> | -                            | -                            | -  | -                             | -                              | -   | (975)                           | -                                | (975)             |
| <b>Profit attributable to shareholders</b>  | -                            | -                            | -  | -                             | -                              | -   | -                               | 49,196                           | 49,196            |
| <b>Balance at 30th June, 2004</b>   | <u>194,570</u>               | <u>127,258</u>               | <u>3,120</u>                                     | <u>3,994</u>                  | <u>162</u>                     | <u>4,872</u>                              | <u>(636)</u>                    | <u>464,848</u>                   | <u>798,188</u>    |
| Balance at 1st January, 2003  | 194,570                      | 127,258                      | 3,067  | 3,994                         | 162                            | 4,872                                     | 63                              | 379,665                          | 713,661           |
| <b>Net gains not recognised in the<br/>profit and loss account</b>                          |                              |                              |  |                               |                                |   |                                 |                                  |                   |
| Exchange differences  | -                            | -                            | -  | -                             | -                              | -   | 422                             | -                                | 422               |
| <b>Profit attributable to shareholders</b>  | -                            | -                            | -  | -                             | -                              | -   | -                               | 19,189                           | 19,189            |
| 2002 final dividend   | -                            | -                            | -  | -                             | -                              | -   | -                               | (19,457)                         | (19,457)          |
| <b>Balance at 30th June, 2003</b>   | <u>194,570</u>               | <u>127,258</u>               | <u>3,067</u>                                     | <u>3,994</u>                  | <u>162</u>                     | <u>4,872</u>                              | <u>485</u>                      | <u>379,397</u>                   | <u>713,805</u>    |

Note:

- (i) In accordance with the relevant regulations in the People's Republic of China (the "PRC") applicable to wholly foreign owned enterprises, the PRC subsidiary of the Group is required to appropriate to the reserve fund an amount of not less than 10% of the amount of profit after taxation (based on figures reported in the statutory accounts). If the accumulated total of the reserve fund reaches 50% of the registered capital of the PRC subsidiary, the enterprise will not be required to make any further appropriation. The reserve fund may be used to reduce any losses incurred by the PRC subsidiary. The appropriation is made only at 31st December.



Notes:

## 1. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2003 annual report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual report for the year ended 31st December, 2003.

## 2. Turnover, revenues and segment information

The Group is principally engaged in the trading and distribution of mobile phones and accessories and the provision of the inter-city/international telecommunication services using Voice-over-IP ("VoIP") technology.

Turnover represents invoiced value of sale of mobile phones and accessories, and airtime using VoIP technology to customers, net of returns, discounts allowed, value-added tax or sales tax where applicable. Revenues recognised during the Periods are as follows:

|  | Three months ended<br>30th June, |                  | Six months ended<br>30th June, |                  |
|--|----------------------------------|------------------|--------------------------------|------------------|
|  | 2004<br>HK\$'000                 | 2003<br>HK\$'000 | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Turnover   |                                  |                  |                                |                  |
| Revenue from sale of mobile phones and accessories, net  | <b>1,356,576</b>                 | 1,602,919        | <b>2,937,117</b>               | 2,986,740        |
| Revenue from provision of inter-city/international telecommunication services using VoIP technology, net | <b>21,260</b>                    | 30,257           | <b>48,134</b>                  | 61,607           |
|  | <b><u>1,377,836</u></b>          | <u>1,633,176</u> | <b><u>2,985,251</u></b>        | <u>3,048,347</u> |
| Other revenues   |                                  |                  |                                |                  |
| Interest income  | <b>897</b>                       | 1,392            | <b>1,743</b>                   | 2,505            |
| Other rental income  | <b>230</b>                       | 151              | <b>459</b>                     | 453              |
| Repair service income, net   | <b>502</b>                       | 85               | <b>885</b>                     | 113              |
|  | <b><u>1,629</u></b>              | <u>1,628</u>     | <b><u>3,087</u></b>            | <u>3,071</u>     |
| Total revenues   | <b><u>1,379,465</u></b>          | <u>1,634,804</u> | <b><u>2,988,338</u></b>        | <u>3,051,418</u> |

*Primary reporting format – business segments*

The Group's segment revenues, expenses, results, assets and liabilities are primarily attributable to trading and distribution of mobile phones and accessories and provision of inter-city/international telecommunication services using VoIP technology.

Other operations of the Group include provision of repair services for mobile phones and holding of properties, neither of which are of a sufficient size to be reported separately.

The analysis of the Group's turnover and results for the six months ended 30th June, 2004 by business segment is as follows:

|   | Sales of mobile phones<br>and accessories |                  | Revenue from provision of<br>inter-city/international<br>telecommunication<br>services using VoIP technology |                  | Consolidated                   |                  |
|---|---|------------------|--|------------------|--------------------------------|------------------|
|   | Six months ended<br>30th June,            |                  | Six months ended<br>30th June,   |                  | Six months ended<br>30th June, |                  |
|   | 2004<br>HK\$'000                          | 2003<br>HK\$'000 | 2004<br>HK\$'000   | 2003<br>HK\$'000 | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Turnover  | <b>2,937,117</b>                          | 2,986,740        | <b>48,134</b>  | 61,607           | <b>2,985,251</b>               | 3,048,347        |
| Segment results                                 | <b>104,646</b>                            | 54,718           | <b>(10,844)</b>  | (1,708)          | <b>93,802</b>                  | 53,010           |
| Interest income                                 |   |                  |  |                  | <b>1,743</b>                   | 2,505            |
| Unallocated income and expenses, net            |   |                  |  |                  | <b>(10,472)</b>                | (2,916)          |
| Operating profit                                |   |                  |  |                  | <b>85,073</b>                  | 52,599           |
| Finance costs                                   |   |                  |  |                  | <b>(14,686)</b>                | (16,710)         |
| Share of loss of a jointly controlled<br>entity | -   | (166)            | -  | -                | -                              | (166)            |
| Profit before taxation                          |   |                  |  |                  | <b>70,387</b>                  | 35,723           |
| Taxation  |   |                  |  |                  | <b>(24,735)</b>                | (13,840)         |
| Profit after taxation                           |   |                  |  |                  | <b>45,652</b>                  | 21,883           |
| Minority interests                              |   |                  |  |                  | <b>3,544</b>                   | (2,694)          |
| Profit attributable to shareholders             |   |                  |  |                  | <b>49,196</b>                  | 19,189           |

### 3. Other operating expenses, net

Other operating expenses, net for the six months ended 30th June, 2004 and 2003 mainly comprised amortisation of intangible assets and exchange differences.

### 4. Operating profit

Operating profit is stated after charging the following:

|   | Three months ended<br>30th June, |                  | Six months ended<br>30th June, |                  |
|---|----------------------------------|------------------|--------------------------------|------------------|
|   | 2004<br>HK\$'000                 | 2003<br>HK\$'000 | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Cost of inventories sold                      | <b>1,251,977</b>                 | 1,518,383        | <b>2,702,837</b>               | 2,819,857        |
| Depreciation                                  |                                  |                  |                                |                  |
| – owned fixed assets                          | <b>2,913</b>                     | 2,589            | <b>5,688</b>                   | 5,091            |
| – leased fixed assets                         | <b>257</b>                       | 390              | <b>515</b>                     | 717              |
| Amortisation of intangible<br>assets (note 9) | <b>1,738</b>                     | 969              | <b>3,476</b>                   | 1,938            |

### 5. Finance costs

|                             | Three months ended<br>30th June, |                  | Six months ended<br>30th June, |                  |
|-----------------------------|----------------------------------|------------------|--------------------------------|------------------|
|                             | 2004<br>HK\$'000                 | 2003<br>HK\$'000 | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Interest expenses on:       |                                  |                  |                                |                  |
| – bank loans and overdrafts | <b>4,958</b>                     | 5,570            | <b>9,688</b>                   | 10,452           |
| – finance leases            | <b>47</b>                        | 69               | <b>96</b>                      | 199              |
| Bank and other charges      | <b>2,654</b>                     | 3,193            | <b>4,902</b>                   | 6,059            |
|                             | <b>7,659</b>                     | 8,832            | <b>14,686</b>                  | 16,710           |

## 6. Taxation

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

|                                  | Three months ended<br>30th June, |                  | Six months ended<br>30th June, |                  |
|----------------------------------|----------------------------------|------------------|--------------------------------|------------------|
|                                  | 2004<br>HK\$'000                 | 2003<br>HK\$'000 | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Hong Kong profits tax (note (i)) | 3,647                            | 752              | 8,392                          | 4,978            |
| Overseas taxation (note (ii))    | 6,288                            | 6,159            | 17,804                         | 9,645            |
| Deferred taxation                | (2,289)                          | 1,083            | (1,461)                        | (783)            |
|                                  | <u>7,646</u>                     | <u>7,994</u>     | <u>24,735</u>                  | <u>13,840</u>    |

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the Periods.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the Periods at the rates of taxation prevailing in the countries in which the Group operates.

## 7. Dividend

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30th June, 2004 (2003: nil).

## 8. Earnings per share

Basic earnings per share for the three months and the six months ended 30th June, 2004 are calculated based on the profit attributable to shareholders of HK\$18,037,000 and HK\$49,196,000 respectively (2003: HK\$10,582,000 and HK\$19,189,000 respectively) and on the weighted average number of 1,945,696,565 shares and 1,945,696,565 shares respectively (2003: 1,945,696,565 shares and 1,945,696,565 shares respectively) in issue during the Periods.

Diluted earnings per share for the Periods are not presented as there were no dilutive potential shares as at 30th June, 2004 and 2003.

## 9. Intangible assets

|   | <b>Distribution<br/>right<br/>HK\$'000</b> | <b>Goodwill<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|--|------------------------------|---------------------------|
| Net book amount as at 1st January, 2004 | 10,506                                     | 13,569                       | 24,075                    |
| Amortisation charge ( <i>note 4</i> )   | <u>(1,538)</u>                             | <u>(1,938)</u>               | <u>(3,476)</u>            |
| Net book amount as at 30th June, 2004   | <u><u>8,968</u></u>                        | <u><u>11,631</u></u>         | <u><u>20,599</u></u>      |

## 10. Fixed assets

|  | <b>HK\$'000</b>      |
|--|----------------------|
| Net book value as at 1st January, 2004 | 84,634               |
| Exchange adjustment                    | (1,286)              |
| Additions                              | 4,456                |
| Depreciation ( <i>note 4</i> )         | (6,203)              |
| Disposals                              | <u>(8)</u>           |
| Net book value as at 30th June, 2004   | <u><u>81,593</u></u> |

## 11. Trade receivables

The normal credit period granted to the customers of the Group is up to 90 days, except for sales made to certain credit worthy customers to which a slightly longer credit period may be granted.

At 30th June, 2004, the ageing analysis of the trade receivables is as follows:

|                 | <b>30th June,<br/>2004<br/>HK\$'000</b> | 31st December,<br>2003<br>HK\$'000 |
|-----------------|---|------------------------------------|
| 1-30 days       | <b>469,949</b>                          | 392,910                            |
| 31-60 days      | <b>267,083</b>                          | 290,852                            |
| 61-90 days      | <b>146,871</b>                          | 87,715                             |
| 91-120 days     | <b>25,548</b>                           | 26,440                             |
| Over 120 days   | <b>56,266</b>                           | 60,476                             |
| Less: provision | <b><u>(23,101)</u></b>                  | <u>(20,969)</u>                    |
|                 | <u><u><b>942,616</b></u></u>            | <u><u>837,424</u></u>              |

## 12. Trade payables

At 30th June, 2004, the ageing analysis of the trade payables is as follows:

|               | <b>30th June,<br/>2004<br/>HK\$'000</b> | 31st December,<br>2003<br>HK\$'000 |
|---------------|---|------------------------------------|
| 1-30 days     | <b>228,773</b>                          | 255,569                            |
| 31-60 days    | <b>34,283</b>                           | 32,524                             |
| 61-90 days    | <b>43,471</b>                           | 650                                |
| 91-120 days   | <b>2,065</b>                            | –                                  |
| Over 120 days | <b>16,390</b>                           | 6,035                              |
|               | <hr/> <b>324,982</b> <hr/>              | <hr/> 294,778 <hr/>                |

## ADVANCE TO AN ENTITY

According to rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Company's total market capitalisation. As at 30th June, 2004, trade receivable from a customer of the Group (the "Trade Receivable"), 上海頂一電訊設備有限公司 (the "Customer"), a company which is independent of, and not connected with, the Company, the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules), amounted to approximately HK\$46,000,000, representing approximately 10% of the Company's total market capitalisation as at 30th June, 2004. The Trade Receivable was resulted from sales to the Customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and has normal terms of settlement.

## **BUSINESS REVIEW AND OUTLOOK**

The Group is principally engaged in the trading and distribution of mobile phones and related accessories from a wide range of brands in the Asia Pacific region. Taking into account of the competitive environment in the period, the Group's interim results for the year 2004 were satisfactory.

### **Mobile Phone Distribution**

During the period under review, the Group maintained its leading position in the region by leveraging on its pro-active marketing efforts. In the first half of 2004, the Group sold approximately 1.8 million units of mobile phones. At the moment, it distributes 9 brands and over 70 models.

In the Philippines, a new service centre was opened in Lucena, South of Manila, during the period under review. 4 concept shops under the "Samsung Privilege Partners Shops" program were established to sell Samsung mobile products, by co-operation with local dealers, during the second quarter of 2004. Another 16 shops are planned to open in the third quarter of 2004.

In Malaysia, 4 retail shops under the name of Mobile City were established during the first half of 2004. They are located in Giant Batu Caves, Selangor; Giant LDP, PJ; Sunway Pyramid Shopping Centre and 1-Utama Shopping Centre (Phase II) respectively. These shops serve as a main window in offering retail sales and enquiry services for customers. They also enhance the overall image of the Group's quality and comprehensive services in the retail arena. With its continuous effort, the Group is glad to see that Samsung, of which its Malaysian subsidiary has exclusive distribution rights of all GSM mobile phones, is one of the top 2 mobile phone brands with a market share of 27%.

During the period under review, the Group opened 3 new offices in India. They are located in Indore, Kolkatta and Pune respectively. As at the end of the period, the Group operated altogether 8 regional offices across the country covering Mumbai, Delhi, Chennai, Kolkatta, Bangalore, Ahmedabad, Pune and Indore with a total workforce of over 100 staff members. Moreover, 4 service centres were opened in Cochin, Simla, Vishakhapatnam and Bhubaneshwar during the period under review to make a total of 17 service centres in India at present.

## Financial Review

For the six months ended 30th June, 2004, turnover of approximately HK\$2,985 million was recorded, representing a slight decrease of approximately 2% from the corresponding period in 2003. Gross profit margin increased by 35% from 5.2% in the first half of 2003 to 7.0% in the corresponding period in 2004. This increase was mainly due to the result of the Group's strategy in shifting the product portfolio to more mid/high-end models. Number of mobile phones sold decreased to approximately 1.8 million units (2003: 2.0 million units).

Selling and distribution expenses increased by 84% to approximately HK\$48 million for the first half of 2004. Marketing activities launched by the Group in the first half of 2004 increased in response to new models launched, leading to the increase in selling and distribution expenses. In addition, the business expansion in India and the VoIP business started in the U.S., Canada and France since the second quarter of 2003 also led to an increase in selling and distribution expenses.

During the six months ended 30th June, 2004, general and administrative expenses decreased by approximately 5% to approximately HK\$75 million. The decrease was mainly due to the discontinuance of the loss making mobile phone distribution business in the U.K. and the VoIP business in Japan in the fourth quarter of 2003.

Finance costs decreased from approximately HK\$17 million in the first half of 2003 to HK\$15 million in the first half of 2004, as a result of the full repayment of the HK\$80 million term loan in the first quarter of 2004.

The loss arising from the VoIP business was as a result of intensified market competition leading to a drop in the calling rates. Despite the loss from the VoIP business, profit attributable to shareholders increased from approximately HK\$19 million for the six months ended 30th June, 2003 to approximately HK\$49 million in 2004. Basic earnings per share also rose from approximately HK0.99 cent in 2003 to approximately HK2.53 cents.

As a result of the continuous growth in the distribution business in Malaysia and the Philippines, inventory balance increased to approximately HK\$426 million (as at 31st December, 2003: HK\$336 million). Stock turnover days increased to 30 days for the six months ended 30th June, 2004 (for the year ended 31st December, 2003: 22 days).



With the growth of the distribution business mentioned above, trade receivables as at 30th June, 2004 increased to approximately HK\$943 million (as at 31st December, 2003: HK\$837 million). Debtor turnover days was 59 days for the six months ended 30th June, 2004 (for the year ended 31st December, 2003: 51 days).

### **Liquidity and Financial Resources**

As at 30th June, 2004, bank and cash balances of the Group was approximately HK\$457 million (as at 31st December, 2003: HK\$470 million), of which approximately HK\$346 million (as at 31st December, 2003: HK\$338 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK\$537 million (as at 31st December, 2003: HK\$575 million), comprising long-term bank loans of approximately HK\$9 million (as at 31st December, 2003: HK\$42 million), obligations under finance lease of approximately HK\$2 million (as at 31st December, 2003: HK\$3 million), and short-term bank loans and overdrafts of approximately HK\$526 million (as at 31st December, 2003: HK\$530 million).

The gearing ratio (total long-term liabilities/net assets) of the Group as at 30th June, 2004 was 1.4% (as at 31st December, 2003: 6.1%).

A subsidiary of the Company pledged all its current and future assets as security for a mortgage loan. This was supplemented by a personal guarantee from the resident director of the subsidiary in accordance with local banking practice. As at 30th June, 2004, the mortgage loan amounted to approximately HK\$3 million (as at 31st December, 2003: HK\$4 million). The gross assets of the subsidiary as at 30th June, 2004 were approximately HK\$21 million (as at 31st December, 2003: HK\$24 million).

Certain properties (excluding the pledged property of the subsidiary mentioned above) of the Group with carrying values of approximately HK\$41 million (as at 31st December, 2003: HK\$42 million) are also pledged as security for the Group's general banking facilities. In addition, a motor vehicle with carrying value of approximately HK\$0.2 million (as at 31st December, 2003: HK\$0.2 million) is pledged as security for a loan to finance its purchase.

### **Treasury Policies**

The Group's business transactions, assets and liabilities are mainly denominated in either Hong Kong Dollars, United States Dollars, Renminbi, Euro or Malaysian Ringgits.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. As at 30th June, 2004, the Group had approximately HK\$120 million (as at 31st December, 2003: HK\$142 million) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies. The Group does not engage in foreign currency speculative activities.

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30th June, 2004.

### **Employees**

As at 30th June, 2004, the Group had 732 (as at 31st December, 2003: 579) employees. The total of employee remuneration, including that of the Directors, for the six months ended 30th June, 2004 amounted to approximately HK\$51 million (2003: HK\$44 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group also has a share option scheme for directors and employees, details of which are disclosed in the section below of "Share Option Schemes".

## **FUTURE PLANS AND PROSPECTS**

### **Mobile Phone Distribution**

Our goal is to sustain our leadership in the distribution of mobile products as well as to continue its geographical expansion and enhance its market presence in the Asia Pacific region.

To further strengthen the Group's product portfolio, we will continue to explore and acquire new brands with high market potentials.

In the Philippines, the Group expects colour phones as well as camera phones to take off in the near future. Therefore, it is anticipated that major competitors in the industry will launch a variety of camera phones at attractive retail prices during the second half of 2004. To maintain its leading position, the Group will explore and acquire more distribution rights of these segments of mobile phones in the coming future.

In Malaysia, more retail shops are expected to establish under the name of Let's Do Mobile. Also, a new office will be established in Alor Setar to further extend our foot-print. We forecast 3G will be a market trend and therefore will explore potentials in this new technology.

In India, the current mobile penetration is still low at only 3%. As prices of camera phones have declined generally, we forecast the sales volume of this kind of phones will increase. The Group will strive to gain distribution rights of more camera phones so as to meet the expected market demand. Furthermore, the Group is going to add 3 more service centres in the third quarter of 2004 to better serve its customers.

## **SHARE OPTION SCHEMES**

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely pre-listing share option plan (the "Pre-Listing Share Option Plan") and share option scheme (the "2000 Share Option Scheme"), were approved and adopted. The summary of the terms of the two share option schemes had been set out in Appendix V of the Company's prospectus in connection with placing of the Company's shares dated 20th December, 2000.

At the annual general meeting held on 29th April, 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the operation of the 2000 Share Option Scheme. No options had been granted under the 2000 Share Option Scheme since its adoption on 15th December, 2000 and up to the date of its termination. The summary of the terms of the 2003 Share Option Scheme was disclosed in the circular to shareholders dated 27th March, 2003.

### **(i) 2003 Share Option Scheme**

Under the 2003 Share Option Scheme, the board of Directors (the "Board") or a duly authorised committee thereof which shall include the independent non-executive Directors (the "Committee") may, at its discretion, invite any participant (as defined in the 2003 Share Option Scheme), including any employee and any director of any company in the Group, to take up options at HK\$1.00 per option to subscribe for shares in the Company (the "Shares") at the higher of (i) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of

the Shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share, subject to a maximum of 10% of the total number of Shares in issue as at the date of its approval and as refreshed by members in general meeting in accordance with the terms of the 2003 Share Option Scheme.

Options granted under this scheme may be exercised within a period to be notified by the Board or the Committee to each grantee as being the period during which an option may be exercised, and in any event, such period shall not be longer than 10 years from the date of grant of the option.

The maximum number of Shares in respect of which options may be granted under the 2003 Share Option Scheme and any other share option schemes of the Company (including the Pre-Listing Share Option Plan) shall not exceed 30% of the total number of Shares in issue from time to time.

As at 30th June, 2004, no options under this scheme had been granted.

## **(ii) Pre-Listing Share Option Plan**

The purpose of the Pre-Listing Share Option Plan is to recognise the contribution of certain Directors and employees to the growth of the Group and/or to the listing of the Shares on GEM of the Exchange on 29th December, 2000 (the "Listing Date"). On 15th December, 2000, options to subscribe for an aggregate of 174,965,000 Shares at an exercise price of HK\$0.82 per share were granted by the Company to the Directors of the Company and certain employees of the Group. Pursuant to the Pre-Listing Share Option Plan, the 3 executive Directors of the Company were granted options to subscribe for an aggregate of 132,125,000 Shares (where details are disclosed in the section of "Directors' interests and short positions in shares"), 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

Each of the grantee to whom options have been granted under the Pre-Listing Share Option Plan will be entitled to exercise (i) 10% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 6 months from the Listing Date, (ii) 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the

expiry of 12 months from the Listing Date, (iii) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 18 months from the Listing Date, (iv) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 24 months from the Listing Date, and (v) the remaining 20% of the options granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 30 months from the Listing Date and, in each case, not later than three years from the date of exercise of the options.

Options to subscribe for 16,027,375 Shares in the Company lapsed during the six months ended 30th June, 2004, of which 14,277,375 Shares lapsed due to the expiry of the option period in accordance with the terms of the Pre-Listing Share Option Plan and the remaining 1,750,000 Shares lapsed due to the resignation of an employee.

As at 30th June, 2004, there are options remaining to subscribe for an aggregate of 128,496,375 Shares, representing 6.6% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 118,912,500 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 6,300,000 Shares granted to 5 senior management staff and options to subscribe for an aggregate of 3,283,875 Shares granted to 40 employees.

No options had been exercised or cancelled during the Periods.

Following the adoption of the 2003 Share Option Scheme and the termination of the 2000 Share Option Scheme on 29th April, 2003, the above-mentioned outstanding options granted under the Pre-Listing Share Option Plan shall continue to be subject to the provisions of the Pre-Listing Share Option Plan and will not in any event be affected by the adoption and termination of the schemes.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2004, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

### (a) Shares in the Company

| Name of Director         | Number of shares of HK\$0.10 each |                                       |   | Total       | Percentage of issued share capital |
|--------------------------|-----------------------------------|---------------------------------------|---|-------------|------------------------------------|
|                          | Personal interests                | Family interests<br><i>(note (i))</i> | Corporate interests<br><i>(note (ii))</i> |             |                                    |
| Mr. Ng Kok Hong          | 596,766,389                       | 9,088,625                             | -   | 605,855,014 | 31.14%                             |
| Mr. Ng Kok Tai           | -                                 | -                                     | 596,766,389                               | 596,766,389 | 30.67%                             |
| Mr. Ng Kok Yang          | 146,944,889                       | -                                     | -   | 146,944,889 | 7.55%                              |
| Mr. Wu Wai Chung Michael | 2,003,500                         | -                                     | -   | 2,003,500   | 0.10%                              |
| Mr. Sze Tsai To Robert   | 787,500                           | -                                     | -   | 787,500     | 0.04%                              |

Notes:

- (i) These shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong, and therefore Mr. Ng Kok Hong is deemed by virtue of the SFO to be interested in these shares.
- (ii) These shares are held by NKT Holdings Sdn. Bhd., a company incorporated in Malaysia, which is owned as to 50% by Mr. Ng Kok Tai and as to 50% by Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SFO to be interested in these shares.

**(b) Shares in an associated corporation**

| Name of Director | Number of<br>non-voting deferred shares<br>of HK\$1.00 each in<br>First Telecom International Limited |                                      |           |
|------------------|---|--------------------------------------|-----------|
|                  | Personal<br>interests   | Family<br>interests<br><i>(note)</i> | Total     |
| Mr. Ng Kok Hong  | 1,239,326   | 18,878                               | 1,258,204 |
| Mr. Ng Kok Tai   | 1,239,326   | –                                    | 1,239,326 |
| Mr. Ng Kok Yang  | 305,160   | –                                    | 305,160   |

*Note:* These shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong, and therefore Mr. Ng Kok Hong is deemed by virtue of the SFO to be interested in these shares.

**(c) Options to subscribe for shares in the Company**

| Name of Director | Number of underlying shares<br>under the Pre-Listing Share Option Plan |                                      |                              |                     |                                   |                     |
|------------------|--|--------------------------------------|------------------------------|---------------------|-----------------------------------|---------------------|
|                  | Outstanding<br>at 1st January, 2004                                    |                                      | Lapsed<br>during the Periods |                     | Outstanding<br>at 30th June, 2004 |                     |
|                  | Personal<br>interests  | Family<br>interests<br><i>(note)</i> | Personal<br>interests        | Family<br>interests | Personal<br>interests             | Family<br>interests |
| Mr. Ng Kok Hong  | 47,250,000   | –                                    | (4,725,000)                  | –                   | 42,525,000                        | –                   |
| Mr. Ng Kok Tai   | 42,000,000   | 875,000                              | (4,200,000)                  | (87,500)            | 37,800,000                        | 787,500             |
| Mr. Ng Kok Yang  | 42,875,000   | –                                    | (4,287,500)                  | –                   | 38,587,500                        | –                   |

*Note:* The option to subscribe for shares in the Company was granted to Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SFO to be interested in this option.

These options were granted on 15th December, 2000 under the Pre-Listing Share Option Plan and are exercisable at HK\$0.82 per share. None of the above Pre-Listing share options had been exercised during the Periods.

Save as disclosed above, as at 30th June, 2004, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

Save as disclosed above, at no time during the Periods was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.



## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30th June, 2004, according to the register required to be kept under Section 336 of the SFO, the following persons (other than the Directors of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company based on returns filed on respective dates of notification:

| <b>Name</b>                             | <b>Date of Notification</b> | <b>Date of Event</b> | <b>Number of shares of HK\$0.10 each</b> | <b>Percentage of issued share capital</b> |
|---|-----------------------------|----------------------|--|---|
| SW Kingsway Capital Group Limited       | 10th April, 2003            | 1st April, 2003      | 140,932,250                              | 7.24% <i>(note(ii))</i>                   |
| SW Kingsway Capital Holdings Limited    | 10th April, 2003            | 1st April, 2003      | 140,932,250                              | 7.24% <i>(note(iii))</i>                  |
| World Developments Limited              | 10th April, 2003            | 1st April, 2003      | 140,932,250                              | 7.24% <i>(note(iiii))</i>                 |
| Innovation Assets Limited               | 10th April, 2003            | 1st April, 2003      | 140,932,250                              | 7.24% <i>(note(iv))</i>                   |
| Kingsway International Holdings Limited | 10th April, 2003            | 1st April, 2003      | 149,988,250                              | 7.71% <i>(note(v))</i>                    |
| Mr. Choi Koon Shum Jonathan             | 10th April, 2003            | 1st April, 2003      | 149,988,250                              | 7.71% <i>(note(vi))</i>                   |
| Mr. Lam Ka Chung William                | 2nd July, 2004              | 29th June, 2004      | 136,312,250                              | 7.01% <i>(note(vii) and (viii))</i>       |
| Mrs. Lam Wong Yuk Sin Mary              | 2nd July, 2004              | 29th June, 2004      | 136,312,250                              | 7.01% <i>(note(vii) and (ix))</i>         |

Notes:

- (i) Amongst 140,932,250 shares, 23,000,000 shares are held by SW Kingsway Capital Group Limited directly and 117,932,250 shares are held by three wholly-owned subsidiaries of SW Kingsway Capital Group Limited. The said three subsidiaries include Kingsway Lion Spur Technology Limited, Opal Dragon Investments Limited and Kingsway SW Finance Limited and they respectively hold 40,620,000, 69,312,250 and 8,000,000 shares in the Company. Therefore, SW Kingsway Capital Group Limited is deemed by virtue of the SFO to be also interested in the 117,932,250 shares.
- (ii) SW Kingsway Capital Holdings Limited holds 100% interests in shares of SW Kingsway Capital Group Limited. Therefore, SW Kingsway Capital Holdings Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited.
- (iii) World Developments Limited holds 74% interests in shares of SW Kingsway Capital Holdings Limited. Therefore, World Developments Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited.
- (iv) Innovation Assets Limited holds 100% interests in shares of World Developments Limited. Therefore, Innovation Assets Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited.
- (v) Amongst 149,988,250 shares, Kingsway International Holdings Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited as Kingsway International Holdings Limited holds 100% interests in shares of Innovation Assets Limited.

Kingsway Securities Holdings Limited, a wholly-owned subsidiary of Kingsway International Holdings Limited, directly holds 7,956,000 shares in the Company. Accordingly, Kingsway International Holdings Limited is deemed by virtue of the SFO to be also interested in the 7,956,000 shares held by Kingsway Securities Holdings Limited.

Weaver Strategic Investments Limited directly holds 1,100,000 shares in the Company. Weaver Strategic Investments Limited is a wholly-owned subsidiary of HK Weaver Group Limited and Kingsway International Holdings Limited holds 77% interests in shares of HK Weaver Group Limited. Accordingly, Kingsway International Holdings Limited is deemed by virtue of the SFO to be also interested in the 1,100,000 shares held by Weaver Strategic Investments Limited.

- (vi) Mr. Choi Koon Shum Jonathan ("Mr. Choi") beneficially owns or controls 36,929,651 shares, representing approximately 48% of the issued share capital of Kingsway International Holdings Limited and is deemed by virtue of the SFO to be also interested in the 149,988,250 shares in the Company held indirectly by Kingsway International Holdings Limited.

Of the above 36,929,651 shares of Kingsway International Holdings Limited, 10,101,596 shares are held by Mr. Choi as personal interest and 12,750,000 and 14,078,055 shares are held by Sun Wah Capital Limited and Scarlet Red Limited respectively as corporate interest. In other words, Mr. Choi personally holds 13% of Kingsway International Holdings Limited and has corporate interest of 17% and 18% of Kingsway International Holdings Limited through Sun Wah Capital Limited and Scarlet Red Limited respectively.

- (vii) Mr. Lam Ka Chung William ("Mr. Lam") and his spouse, Mrs. Lam Wong Yuk Sin Mary ("Mrs. Lam") beneficially own or control 31,932,317 shares, representing approximately 40% of the issued share capital of Kingsway International Holdings Limited and are deemed by virtue of the SFO to be also interested in the 136,312,250 shares in the Company held indirectly by Kingsway International Holdings Limited.

Of the above 31,932,317 shares of Kingsway International Holdings Limited, 9,226,750 shares are held directly by Mr. Lam, 10,515,060 shares are held by Dynasty International Holdings Limited, 9,790,507 shares are held directly by Mrs. Lams and 2,400,000 shares are held by Abundant World Limited.

Dynasty International Holdings Limited is a wholly-owned subsidiary of Global Fame Limited. Global Fame Limited is wholly-owned by The WKC Lam Family Trust which is a discretionary trust with Mr. Lam and his two children as the beneficiaries. On 29th June, 2004, Mrs. Lam was appointed as a trustee of The WKC Lam Family Trust. By virtue of the SFO, Mrs. Lam is deemed to be interested in the shares of Kingsway International Holdings Limited held by Dynasty International Holdings Limited.

Abundant World Limited is wholly-owned by The Mary Lam Family Trust which is a discretionary trust with Mrs. Lam and her two children as the beneficiaries. Mr. Lam is a trustee of The Mary Lam Family Trust. By virtue of the SFO, Mr. Lam is deemed to be interested in the shares of Kingsway International Holdings Limited held by Abundant World Limited.

- (viii) By virtue of the SFO, Mr. Lam is deemed to be interested in the shares of Kingsway International Holdings Limited which are held, owned, controlled or deemed to be interested in by Mrs. Lam.
- (ix) By virtue of the SFO, Mrs. Lam is deemed to be interested in the shares of Kingsway International Holdings Limited which are held, owned, controlled or deemed to be interested in by Mr. Lam.

Save as disclosed above, as at 30th June, 2004, there was no other person (other than the Directors of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **COMPETING INTEREST**

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business (as defined in rule 11.04 of the GEM Listing Rules) which competes or may compete with the business of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Periods, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## **COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES**

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules during the Periods.

## **COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES**

The Company adopted a code of conduct (the "Code") regarding securities transactions by Directors of the Company on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules on 14th May, 2004. Having made specific enquiry of all Directors, the Directors have complied with the Code and the required standard of dealings since its date of adoption and up to the period ended 30th June, 2004.

## **AUDIT COMMITTEE**

The Company established an audit committee on 15th December, 2000 with terms of reference in compliance with rules 5.28 to 5.30 of the GEM Listing Rules. As at 30th June, 2004, the audit committee has four members comprising three independent non-executive Directors, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick, and one executive Director and the Compliance Officer, Mr. Ng Kok Hong.

The principal duties of the audit committee include the review and supervision of the financial reporting process and internal control procedures of the Group. During the Periods and up to the date of this report, three audit committee meetings were held for reviewing the Company's annual report, half-year report and quarterly report, and providing advice and recommendations to the board of Directors.

By order of the Board

**Ng Kok Hong**

*Executive Chairman*

Hong Kong, 13th August, 2004

*Executive Directors:*

Ng Kok Hong (*Executive Chairman*)

Ng Kok Tai (*Executive Deputy Chairman*)

Ng Kok Yang

*Independent Non-executive Directors:*

Sze Tsai To Robert

Wu Wai Chung Michael

Wong Tin Sang Patrick



## **FIRST MOBILE GROUP HOLDINGS LIMITED**

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