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

FMG FIRST MOBILE GROUP

mastering the MOBILE ARENA

INTERIM REPORT 2005
二零零五年中期業績報告

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 in order to obtain up-to-date information on GEM-listed issuers.

HIGHLIGHTS

For the six months ended 30th June, 2005, First Mobile Group Holdings Limited and its subsidiaries recorded a loss in an extremely competitive operating environment. Highlights of the six months' performance are as follows:

- The Group recorded a turnover of approximately HK$3,175 million, representing an increase of 6% over the same period of 2004
- Gross profit was approximately HK$149 million, representing a decrease of 29% over the same period of 2004
- Loss attributable to equity holders of the Company was approximately HK$22 million, representing a decrease of 145% over the same period of 2004
- Basic loss per share was HK1.13 cents
- Sold approximately 2.1 million units of mobile phones

INTERIM FINANCIAL STATEMENTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") 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, 2005 (the "Periods") together with the unaudited comparative figures in 2004:

Unaudited Condensed Consolidated Profit and Loss Account

For the three months and the six months ended 30th June, 2005

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2005	2004	**2005**	2004
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*3*	**1,636,185**	1,377,836	**3,174,806**	2,985,251
Cost of sales		**(1,548,334)**	(1,287,665)	**(3,026,290)**	(2,776,751)
Gross profit		**87,851**	90,171	**148,516**	208,500
Other revenues	*3*	**4,345**	1,629	**9,722**	3,087
Selling and distribution expenses		**(15,457)**	(20,418)	**(34,707)**	(48,305)
General and administrative expenses		**(49,998)**	(37,867)	**(101,371)**	(74,959)
Other operating expenses, net	*4*	**(3,715)**	(3,099)	**(17,577)**	(3,250)
Operating profit	*5*	**23,026**	30,416	**4,583**	85,073
Finance costs	*6*	**(11,709)**	(7,659)	**(19,985)**	(14,686)
Profit/(loss) before taxation		**11,317**	22,757	**(15,402)**	70,387
Taxation	*7*	**(8,242)**	(7,646)	**(9,437)**	(24,735)
Profit/(loss) for the period		**3,075**	15,111	**(24,839)**	45,652
Attributable to:					
Equity holders of the Company		**3,749**	18,037	**(22,032)**	49,196
Minority interest		**(674)**	(2,926)	**(2,807)**	(3,544)
		3,075	15,111	**(24,839)**	45,652
Basic earnings/(loss) per share	9	**HK0.19 cent**	HK0.93 cent	**HK(1.13) cents**	HK2.53 cents

Unaudited Condensed Consolidated Balance Sheet

As at 30th June, 2005

	Note	**30th June, 2005 (unaudited) *HK$'000***	Restated 31st December, 2004 (audited) *HK$'000*
Non-current assets			
Intangible assets	*10*	**15,586**	17,123
Leasehold land	*11*	**24,021**	24,307
Fixed assets	*11*	**56,597**	63,261
Deferred tax assets		**8,228**	5,589
		104,432	110,280
Current assets			
Inventories		**431,131**	424,261
Financial assets at fair value through profit or loss		**627**	687
Trade receivable	*12*	**1,051,957**	974,649
Other receivables and prepayments		**144,320**	121,163
Tax recoverable		**2,861**	1,940
Bank balances and cash			
– pledged		**392,514**	387,354
– not pledged		**207,727**	157,383
		2,231,137	2,067,437
Current liabilities			
Trade payable	*13*	**559,063**	422,952
Bills payable		**247,407**	209,049
Other payables and accrued charges		**110,907**	145,441
Derivative financial instruments		**5,143**	1,649
Current portion of long-term liabilities		**2,600**	4,131
Taxation payable		**16,864**	16,677
Bank loans and overdrafts			
– secured		**605,179**	548,534
– unsecured		**7,474**	10,498
		1,554,637	1,358,931
Net current assets		**676,500**	708,506
Total assets less current liabilities		**780,932**	818,786

	Note	30th June, 2005 (unaudited) *HK$'000*	Restated 31st December, 2004 (audited) *HK$'000*
Capital and reserves attributable to the Company's equity holders			
Share capital		**194,570**	194,570
Reserves		**586,824**	618,067
		781,394	812,637
Minority interests		**(1,900)**	376
Total equity		**779,494**	813,013
Non-current liabilities			
Long-term liabilities		**1,085**	5,350
Deferred tax liabilities		**353**	423
		780,932	818,786

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2005

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Net cash from operating activities	**15,728**	27,487
Net cash used in investing activities	**(5,030)**	(12,760)
Net cash from/(used in) financing activities	**40,933**	(50,796)
Effects of exchange rate changes	**1,737**	1,770
Net increase/(decrease) in cash and cash equivalents	**53,368**	(34,299)
Cash and cash equivalents at 1st January	**146,885**	130,001
Cash and cash equivalents at 30th June	**200,253**	95,702

Analysis of balances of cash and cash equivalents

	30th June, 2005	30th June, 2004
	HK$'000	*HK$'000*
Non-pledged bank balances and cash	**207,727**	111,279
Bank overdrafts	**(7,474)**	(15,577)
	200,253	95,702

Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30th June, 2005

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Reserve fund (note) HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2005, as previously reported	**194,570**	**127,258**	**12,531**	**3,989**	**162**	**4,872**	**(2,271)**	**478,724**	**376**	**820,211**
Effect on changes in accounting policy on freehold and leasehold properties *(note 2(a)(i))*	**–**	**–**	**(12,531)**	**–**	**–**	**–**	**–**	**5,333**	**–**	**(7,198)**
At 1st January, 2005, as restated	**194,570**	**127,258**	**–**	**3,989**	**162**	**4,872**	**(2,271)**	**484,057**	**376**	**813,013**
Impact of adoption of HKFRS 3	**–**	**–**	**–**	**–**	**(162)**	**–**	**–**	**162**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**517**	**–**	**531**	**1,048**
Loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,032)**	**–**	**(22,032)**
Minority's share of loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,807)**	**(2,807)**
2004 final dividend *(note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,728)**	**–**	**(9,728)**
At 30th June, 2005	**194,570**	**127,258**	**–**	**3,989**	**–**	**4,872**	**(1,754)**	**452,459**	**(1,900)**	**779,494**
At 1st January, 2004, as previously reported	194,570	127,258	3,120	3,994	162	4,872	(233)	415,652	7,272	756,667
Effect on changes in accounting policy on freehold and leasehold properties *(note 2(a)(i))*	–	–	(3,120)	–	–	–	–	9,837	–	6,717
At 1st January, 2004, as restated	194,570	127,258	–	3,994	162	4,872	(233)	425,489	7,272	763,384
Exchange differences	–	–	–	–	–	–	572	–	52	624
Reserve transferred to profit and loss account upon disposal of a subsidiary	–	–	–	–	–	–	(975)	–	–	(975)
Profit for the Period	–	–	–	–	–	–	–	49,196	–	49,196
Minority's share of loss for the Period	–	–	–	–	–	–	–	–	(3,544)	(3,544)
At 30th June, 2004	194,570	127,258	–	3,994	162	4,872	(636)	474,685	3,780	808,685

Note: 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 to unaudited condensed consolidated financial information

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(a) *Effect of adopting new HKFRS*

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operation. The 2004 comparatives have been amended as required, in accordance with the relevant requirements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37 and HKFRS 2, 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33, 37 and HKFRS 2, 3 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(i) HKAS17 Leases

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land was previously stated at fair value. In accordance with the provisions of HKAS 17, leasehold properties are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land element and the building element of the lease at the inception of the lease. The lease premium for leasehold land is stated at cost and amortised over the period of the lease. HKAS 17 has been applied retrospectively.

Building portion of freehold and leasehold properties was previously stated at fair value. Following the adoption of HKAS 17 where leasehold land is subject to amortisation, the accounting policy on building is changed and buildings are now stated at cost less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

As of 1st January, 2005, the effect of these changes in accounting policies is to decrease the net book value of freehold and leasehold properties by HK$9,462,000 (1st January, 2004: to increase by HK$7,117,000), to increase deferred tax assets by HK$1,370,000 (1st January, 2004: to decrease by HK$280,000), to decrease deferred tax liabilities by HK$894,000 (1st January, 2004: to increase by HK$120,000), to increase retained earnings by HK$5,333,000 (1st January, 2004: HK$9,837,000) and to decrease properties revaluation reserve by HK$12,531,000 (1st January, 2004: HK$3,120,000) respectively.

(ii) HKFRS 3 Business Combinations; HKAS 36 Impairment of Assets and HKAS 38 Intangible Assets

The adoption has resulted in a change in accounting policy for goodwill. Goodwill was previously amortised on a straight-line basis over a period of not exceeding 20 years, and assessed for impairment at each balance sheet date.

Under HKFRS 3, goodwill is no longer amortised. Instead, it is tested for impairment annually, or more frequently, if events or changes in circumstances indicate a possible impairment. Any excess of fair value of assets and liabilities acquired over cost is recognised immediately as income under HKFRS 3. However, HKFRS 3 requires, if an entity previously recognised goodwill as a deduction from equity, it shall not recognise that goodwill in profit and loss account when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. There is no transitional arrangement for goodwill which has previously been eliminated against reserves as a matter of accounting policy.

HKFRS 3 is applied prospectively from 1st January, 2005. Under the transitional provision of HKFRS 3, the Group has to cease amortisation of goodwill from 1st January, 2005, and the negative goodwill previously recognised has to be derecognised as at 1st January, 2005, with a corresponding adjustment to the opening retained earnings.

As of 1st January, 2005, the effect of these changes in accounting policies is to decrease the capital reserve by HK$162,000 and to increase the retained earnings by the same amount.

(iii) HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement

HKAS 32 and HKAS 39 establish principles for disclosure, presentation, recognition and measurement of financial instruments, including non-derivative financial assets, non-derivative financial liabilities and derivative instruments for hedging activities.

Under HKAS 39, financial instruments are carried at either amortised cost or fair value, depending on their classification. Movements in fair value are either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts are recognised in the balance sheet at fair value. The effect of adopting HKAS 39 is insignificant to the accounts.

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

(i) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the profit and loss accounts. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(iii) Fixed assets

Freehold and leasehold properties are stated at historical cost less accumulated depreciation and impairment.

(iv) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments are based on current bid prices.

(v) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(vi) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(vii) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. 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 30th June,		**Six months ended 30th June,**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Revenue from sale of mobile phones and accessories, net	**1,613,666**	1,356,576	**3,125,509**	2,937,117
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	**22,519**	21,260	**49,297**	48,134
	1,636,185	1,377,836	**3,174,806**	2,985,251
Other revenues				
Interest income	**2,105**	897	**3,762**	1,743
Rental income	**371**	230	**638**	459
Repair service income, net	**1,673**	502	**5,126**	885
Others	**196**	–	**196**	–
	4,345	1,629	**9,722**	3,087
Total revenues	**1,640,530**	1,379,465	**3,184,528**	2,988,338

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 segmental information for the six months ended 30th June, 2005 by business segment is as follows:

	Sale of mobile phones and accessories Six months ended 30th June,		**Provision of inter-city/international telecommunication services using VoIP technology Six months ended 30th June,**		**Consolidated Six months ended 30th June,**	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**3,125,509**	2,937,117	**49,297**	48,134	**3,174,806**	2,985,251
Segment results	**11,929**	104,646	**(4,279)**	(10,844)	**7,650**	93,802
Interest income					**3,762**	1,743
Unallocated income and expenses, net					**(6,829)**	(10,472)
Operating profit					**4,583**	85,073
Finance costs					**(19,985)**	(14,686)
(Loss)/profit before taxation					**(15,402)**	70,387
Taxation					**(9,437)**	(24,735)
(Loss)/profit for the period					**(24,839)**	45,652
Attributable to:						
Equity holders of the Company					**(22,032)**	49,196
Minority interest					**(2,807)**	(3,544)
					(24,839)	45,652

	Sale of mobile phones and accessories		Provision of inter-city/international telecommunication services using VoIP technology		Consolidated	
	As at 30th June, 2005	Restated As at 31st December, 2004	**As at 30th June, 2005**	Restated As at 31st December, 2004	**As at 30th June, 2005**	Restated As at 31st December, 2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,129,349**	1,965,972	**30,347**	40,848	**2,159,696**	2,006,820
Unallocated corporate assets					**175,873**	170,897
Consolidated total assets					**2,335,569**	2,177,717
Segment liabilities	**(1,507,465)**	(1,310,958)	(23,423)	(29,253)	**(1,530,888)**	(1,340,211)
Unallocated corporate liabilities					**(25,187)**	(24,493)
Consolidated total liabilities					**(1,556,075)**	(1,364,704)

	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2005	2004	**2005**	2004	**2005**	2004
Capital expenditure	**5,518**	4,189	**564**	267	**6,082**	4,456
Depreciation	**4,269**	3,930	**1,650**	1,987	**5,919**	5,917
Amortisation of leasehold land	**286**	286	**–**	–	**286**	286
Other non-cash expenses (exclude depreciation and amortisation of leasehold land)	**39,933**	20,356	**289**	204	**40,222**	20,560

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in five main geographical areas:

Hong Kong	–	trading and distribution of mobile phones and accessories.
	–	provision of inter-city/international telecommunication services using VoIP technology.
Mainland China	–	trading and distribution of mobile phones and accessories.
Malaysia	–	trading and distribution of mobile phones and accessories.
Oceania	–	provision of inter-city/international telecommunication services using VoIP technology.
Taiwan	–	trading and distribution of mobile phones and accessories.
The Philippines	–	trading and distribution of mobile phones and accessories.
The U.K.	–	provision of inter-city/international telecommunication services using VoIP technology.

	Six months ended 30th June, 2005			As at 30th June, 2005
	Turnover	**Segment results**	**Capital expenditure**	**Total assets**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Hong Kong	**2,416,409**	**8,079**	**3,875**	**1,337,593**
Mainland China	**56,585**	**(15,825)**	**–**	**65,772**
Malaysia	**434,928**	**33,257**	**336**	**574,737**
Oceania	**33,976**	**6,727**	**128**	**18,617**
Taiwan	**48,495**	**(8,555)**	**21**	**51,856**
The U.K.	**402**	**(3,439)**	**–**	**1,506**
The Philippines	**96,761**	**3,781**	**29**	**56,174**
Other countries	**87,250**	**(16,375)**	**1,693**	**53,441**
	3,174,806	**7,650**	**6,082**	**2,159,696**
Unallocated costs		**(6,829)**	**–**	
Interest income		**3,762**		
Operating profit		**4,583**		
Unallocated assets				**175,873**
Capital expenditure/total assets			**6,082**	**2,335,569**

	Turnover	Six months ended 30th June, 2004 Segment results	Capital expenditure	Restated As at 31st December, 2004 Total assets
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	2,221,206	63,089	804	1,221,204
Mainland China	55,989	(5,408)	–	78,314
Malaysia	506,253	47,189	2,779	504,759
Oceania	30,725	(5,525)	132	26,082
Taiwan	–	–	25	66,314
The U.K.	3,821	(2,678)	–	3,160
The Philippines	58,402	5,132	48	47,377
Other countries	108,855	(7,997)	668	59,610
	2,985,251	93,802	4,456	2,006,820
Unallocated costs		(10,472)	–	
Interest income		1,743		
Operating profit		85,073		
Unallocated assets				170,897
Capital expenditure/total assets			4,456	2,177,717

4. Other operating expenses, net

Other operating expenses, net mainly comprised amortisation of intangible assets and exchange differences, and for the six months ended 30th June, 2005 also included provisions in connection with the cessation of operations of certain subsidiaries.

5. Operating profit

Operating profit is stated after charging the following:

	Three months ended 30th June,		Six months ended 30th June,	
		Restated		Restated
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cost of inventories sold	**1,507,160**	1,251,977	**2,939,832**	2,702,837
Depreciation				
– owned fixed assets	**2,811**	2,913	**5,499**	5,402
– leased fixed assets	**276**	257	**420**	515
Amortisation of intangible assets *(note 10)*	**769**	1,738	**1,537**	3,476
Amortisation of leasehold land *(note 11)*	**138**	143	**286**	286

6. Finance costs

	Three months ended 30th June,		Six months ended 30th June,	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest expenses on:				
– bank loans and overdrafts	**8,772**	4,958	**13,913**	9,688
– finance leases	**44**	47	**89**	96
Bank and other charges	**2,893**	2,654	**5,983**	4,902
	11,709	7,659	**19,985**	14,686

7. Taxation

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

	Three months ended 30th June,		Six months ended 30th June,	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax *(note (i))*	**148**	3,647	**252**	8,392
Overseas taxation *(note (ii))*	**9,952**	6,288	**11,920**	17,804
Deferred taxation	**(1,858)**	(2,289)	**(2,735)**	(1,461)
	8,242	7,646	**9,437**	24,735

Notes:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

8. Dividend

At a meeting of the board of directors held on 22nd March, 2005, the directors proposed a final dividend of HK0.5 cent per share or a total of HK$9,728,000 for the year ended 31st December, 2004, which was paid on 17th May, 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30th June, 2005.

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30th June, 2005 (2004: nil).

9. Earnings per share

Basic earnings/(loss) per share for the three months and the six months ended 30th June, 2005 are calculated based on the profit of HK$3,749,000 and loss of HK$22,032,000 attributable to equity holders of the Company respectively (2004: profit of HK$18,037,000 and HK$49,196,000 respectively) and on the weighted average number of 1,945,696,565 shares and 1,945,696,565 shares respectively (2004: 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, 2005 and 2004 respectively.

10. Intangible assets

	Distribution right *HK$'000*	**Goodwill** *HK$'000*	**Total** *HK$'000*
Net book amount as at 1st January, 2005	7,431	9,692	17,123
Amortisation charge *(note 5)*	1,537	–	1,537
Net book amount as at 30th June, 2005	5,894	9,692	15,586

11. Leasehold land and fixed assets

	Leasehold land HK$'000	Fixed assets HK$'000
Net book value as at 1st January, 2005, as restated	24,307	63,261
Exchange adjustment	–	(645)
Additions	–	6,082
Amortisation/depreciation *(note 5)*	(286)	(5,919)
Disposals	–	(6,182)
Net book value as at 30th June, 2005	24,021	56,597

12. Trade receivable

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, 2005, the ageing analysis of the trade receivable is as follows:

	30th June, 2005 ***HK$'000***	31st December, 2004 *HK$'000*
1-30 days	**451,900**	397,924
31-60 days	**340,113**	305,607
61-90 days	**172,532**	221,209
91-120 days	**18,280**	22,062
Over 120 days	**120,064**	57,741
Less: provision	**(50,932)**	(29,894)
	1,051,957	974,649

13. Trade payable

At 30th June, 2005, the ageing analysis of the trade payable is as follows:

	30th June, 2005 ***HK$'000***	31st December, 2004 *HK$'000*
1-30 days	**337,765**	186,120
31-60 days	**130,355**	130,889
61-90 days	**25,289**	44,849
91-120 days	**45,544**	45,399
Over 120 days	**20,110**	15,695
	559,063	422,952

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, 2005, 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$35,000,000, representing approximately 8% of the Company's total capitalisation as at 30th June, 2005. 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 accessory products from a wide array of brands in the Asia Pacific region. It offers complete value-added solutions to manufacturers, operators, dealers and end users, from pre-sales to distribution, marketing and after-sales of products.

Mobile Phone Distribution

During the period under review, the Group maintained its leading position in the region through pro-active marketing efforts. In the first half of 2005, the Group distributed approximately 10 brands and over 100 models and sold approximately 2.1 million units of mobile phones.

In Hong Kong, the Group launched approximately 10 new models with features such as Mega-pixel camera, Mini-SD card, 3D stereo sound, MP3 player and ringtone during the period under review.

In Malaysia, Samsung continues to be the top 2 mobile phone brand with a market share of approximately 21% during the period under review (source: GfK Report, April 2005). The Malaysian subsidiary acquired 9 new models of the brand, namely SGH-C200C, SGH-X480C, SGH-E330C, SGH-E630C, SGH-E810C, SGH-P730C, SGH-i700C, SGH-D500C and SGH-E720C, during the first half of 2005. Another retail store under the brand name of Mobile City was opened at The Curve, Damansara Mutiara, to offer retail sales and customer service and help boosting the Group's overall image as a full-service distributor.

The sales volume of mobile phones in the Philippines market during the second quarter of 2005 increased slightly over the first quarter of 2005. The Philippines subsidiary further acquired exclusive distribution rights of 10 new Samsung models, namely SGH-i700, SGH-D500, SGH-E610, SGH-X480, SGH-X610, SGH-E720, SGH-E730, SGH-X640, SGH-C210 and SGH-C230, during the period under review, bringing its Samsung distribution portfolio to approximately 20 models to date. Samsung continues to be the second largest mobile phone brand in the Philippines, with a market share of approximately 16%. The subsidiary launched Samsung SGH-D500 with a kick-off promotion through a tie-up with Omega and it had a joint promotion with BMW for all its Samsung models during June to August 2005 in which the 2 luxury brands, Omega and BMW, were sponsors of the lucky-draw prizes to the Samsung customers. The Philippines subsidiary has set up an interactive Dealer Workshop in the northern city of Laoag for its top dealers nationwide to build team spirit. To provide better service to customers, 2 new service centres were opened in Iloilo Island, Central Philippines and North Edsa.

Financial Review

For the six months ended 30th June, 2005, the Group recorded a turnover of approximately HK$3,175 million, an increase of 6.3% over the corresponding period of 2004. Quarter on quarter, turnover increased by 18.8% to HK$1,636 million this quarter. Total sales volume increased by 15.2% in the first half of 2005 compared to the previous half-year, 28.5% quarter on quarter and 10.9% over the first quarter of 2005.

Prices and margins continue to be under pressure this quarter from the cut-throat competition in the global mobile phone market. This, coupled with the increase in demand at the lower-priced market segment, resulted in gross profit margin declining from 7.0% to 4.7% in half-yearly comparison. However, despite the competitive market, the Group was able to improve on its overall margin this quarter to 5.4% compared to the 3.9% recorded in the first quarter of 2005.

Selling and distribution expenses decreased by 28.2% over the corresponding first half of 2004, from HK$48 million to approximately HK$35 million, due to lower advertising and promotion expenditure and reduced number of product launches.

General and administrative expenses increased by 35.2% to approximately HK$101 million in the six months ended 30th June, 2005. The increase is attributable to higher payroll cost as a result of an increased headcount and an increase in rental expense on premises for the retail operations in Hong Kong and Singapore and distribution business in Taiwan.

The significant increase in other operating expenses is attributable to the exceptional provisions for the cessation of certain of the Group's businesses in the first quarter of 2005 amounting to HK$10.6 million.

The finance costs increased from approximately HK$15 million in the first half of 2004 to HK$20 million in the first half of 2005 due mainly to the increase in interest rate.

This quarter's operating profit of approximately HK$23 million marks a significant improvement over the first quarter's loss of approximately HK$18 million and represents an increase of 224.8% over first quarter's operating results.

Inventory balance remained stable at HK$431 million as at 30th June, 2005 (as at 31st December, 2004: HK$424 million) and stock turnover days remain stable at 29 days for the six months ended 30th June, 2005 (for the year ended 31st December, 2004: 29 days).

Trade receivable balance as at 30th June, 2005 increased to approximately HK$1,052 million (as at 31st December, 2004: HK$975 million) which is in line with the increase in turnover during the period under review. Debtor turnover days remains at a manageable 63 days for the six months ended 30th June, 2005 (for the year ended 31st December, 2004: 59 days).

Liquidity and Financial Resources

As at 30th June, 2005, bank and cash balances of the Group was approximately HK$600 million (as at 31st December, 2004: HK$545 million), of which approximately HK$393 million (as at 31st December, 2004: HK$387 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK$616 million (as at 31st December, 2004: HK$569 million), comprising long-term bank loans of approximately HK$2 million (as at 31st December, 2004: HK$8 million), obligations under finance lease of approximately HK$2 million (as at 31st December, 2004: HK$2 million), and short-term bank loans and overdrafts of approximately HK$612 million (as at 31st December, 2004: HK$559 million).

The gearing ratio (total borrowings/total assets) of the Group as at 30th June, 2005 was 26% (as at 31st December, 2004: 26%).

Certain properties of the Group with carrying values of approximately HK$36 million (restated as at 31st December, 2004: HK$48 million) are also pledged as security for the Group's general banking facilities. In addition, a motor vehicle with carrying value of approximately HK$0.1 million (as at 31st December, 2004: 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 Hong Kong Dollars, United States Dollars, Renminbi, Euro or Malaysian Ringgit.

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, 2005, the Group had approximately HK$92 million (as at 31st December, 2004: HK$53 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 does not have any significant contingent liabilities as at 30th June, 2005.

Employees

As at 30th June, 2005 the Group had 838 (as at 31st December, 2004: 726) employees. Total employee remuneration, including that of the Directors, for the six months ended 30th June, 2005 amounted to approximately HK$52 million (six months ended 30th June, 2004: HK$51 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group has in place a share option scheme for its directors and employees, details of which are disclosed in the section below on "Share Option Schemes."

FUTURE PLANS AND PROSPECTS

Mobile Phone Distribution

In order to promote sales in the Philippines, the Group expects to set up approximately 20 more Samsung Privilege Partners shops throughout the country. There are also plans to set up more concept shops in Metro Manila and the Visayas/Mindanao area.

On the 3G front, Mainland China, Hong Kong, Taiwan and Singapore have launched 3G services. The Group will explore and seek potential opportunities arising from 3G technology, in addition to distributing 2G and 2.5G mobile phones.

The group anticipates a better business performance in the second half of the year with the expected launch of several new models from key players and increased year-end seasonal demand.

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.

(a) 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. The total number of Shares which may be issued upon exercise of all options under the 2003 Share Option Scheme and the Pre-Listing Share Option Plan must not exceed 10% of the total number of Shares in issue as at the date of approval of the 2003 Share Option Scheme 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, 2005, no options under this scheme had been granted.

(b) 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, 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 35,180,684 Shares in the Company lapsed during the six months ended 30th June, 2005, of which 35,107,184 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 73,500 Shares lapsed due to the resignation of employees. As at 30th June, 2005, there are options remaining to subscribe for an aggregate of 63,192,941 Shares, representing 3.2% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 59,456,250 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 2,362,500 Shares granted to 4 senior management staff and options to subscribe for an aggregate of 1,374,191 Shares granted to 28 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, 2005, 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				Percentage of issued share capital
	Personal interests	Family interests *(note (i))*	Corporate interests *(note (ii))*	Total	
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 non-voting deferred shares of HK$1.00 each in First Telecom International Limited		
	Personal interests	Family interests *(note)*	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 under the Pre-Listing Share Option Plan					
	Outstanding at 1st January, 2005		Lapsed during the Periods		Outstanding at 30th June, 2005	
	Personal interests	Family interests *(note)*	Personal interests	Family interests	Personal interests	Family interests
Mr. Ng Kok Hong	33,075,000	–	(11,812,500)	–	21,262,500	–
Mr. Ng Kok Tai	29,400,000	612,500	(10,500,000)	(218,750)	18,900,000	393,750
Mr. Ng Kok Yang	30,012,500	–	(10,718,750)	–	19,293,750	–

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, 2005, 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, 2005, other than the interests disclosed in the section headed "Directors' interests and short positions in shares" above, there were no other persons 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.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules (the "New Code Provisions") became effective for accounting periods commencing on or after 1st January, 2005.

The Company has complied with the New Code Provisions, save for the following main exceptions:

1. Management has yet to establish written guidelines for employees with regards to their dealings in shares of the Company. Management is currently drafting guidelines and procedures on this and will issue them immediately upon completion.

2. All Directors are subject to retirement by rotation at least once every three years. The current text of the Company's articles of association will need to be amended to comply with this and the proposed amendment be tabled for approval at the Company's next annual general meeting.

3. A remuneration committee has yet to be established by the Company. The role, duties and responsibilities of the remuneration committee resides, for the time being, with the board of Directors.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct 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 such code of conduct and the required standard of dealings since its date of adoption and up to the period ended 30th June, 2005.

AUDIT COMMITTEE

The Company established an audit committee on 15th December, 2000. As at the date of this report, the audit committee comprises all three independent non-executive directors, Mr. See Tak Wah, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick. Mr. See Tak Wah was appointed as an independent non-executive director of the Company and chairman of the audit committee on 1st July, 2005 in place of Mr. Sze Tsai To Robert who had resigned.

The audit committee has held three meetings during the calendar year to review and discuss the Company's annual report, half-year report and quarterly report, and to provide advice and recommendations to the board of Directors.

The terms of reference of the audit committee was revised on 12th August, 2005 to bring it in line with the New Code Provisions. The principal terms include, inter alia, its relationship with the Company's external auditor, review of the Company's financial information and oversight of the financial reporting system and internal control procedures of the Company.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 12th August, 2005

Executive Directors:
Ng Kok Hong *(Executive Chairman)*
Ng Kok Tai *(Executive Deputy Chairman)*
Ng Kok Yang

Independent Non-executive Directors:
See Tak Wah
Wu Wai Chung Michael
Wong Tin Sang Patrick