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

mastering the MOBILE ARENA

THIRD QUARTERLY REPORT 2005
二零零五年第三季度業績報告

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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HIGHLIGHTS

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

- Turnover was approximately HK$4,930 million, representing an increase of 7.8% over the same period of 2004
- Gross profit was approximately HK$237 million, representing a decrease of 16.8% over the same period of 2004
- Loss attributable to equity holders was approximately HK$12 million, representing a decrease of 119.7% over the same period of 2004
- Basic loss per share was HK0.59 cent
- Sold approximately 3.2 million units of mobile phones

RESULTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months and the nine months ended 30th September, 2005 (the "Periods"), together with the unaudited comparative figures in 2004:

Unaudited Consolidated Profit and Loss Account

For the three months and the nine months ended 30th September, 2005

		Three months ended 30th September,		Nine months ended 30th September,	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**1,755,405**	1,588,983	**4,930,211**	4,574,234
Cost of sales		**(1,666,578)**	(1,512,318)	**(4,692,868)**	(4,289,069)
Gross profit		**88,827**	76,665	**237,343**	285,165
Other revenues	*2*	**3,618**	2,741	**13,340**	5,828
Selling and distribution expenses		**(14,090)**	(20,750)	**(48,797)**	(69,055)
General and administrative expenses		**(46,078)**	(34,695)	**(147,449)**	(109,654)
Other operating income/ (expenses), net	*3*	**670**	1,452	**(16,907)**	(1,798)
Operating profit		**32,947**	25,413	**37,530**	110,486
Finance costs		**(11,267)**	(7,641)	**(31,252)**	(22,327)
Profit before taxation		**21,680**	17,772	**6,278**	88,159
Taxation	*4*	**(9,796)**	(9,198)	**(19,233)**	(33,933)
Profit/(loss) for the period		**11,884**	8,574	**(12,955)**	54,226
Attributable to:					
Equity holders of the Company		**10,523**	9,147	**(11,509)**	58,343
Minority interests		**1,361**	(573)	**(1,446)**	(4,117)
		11,884	8,574	**(12,955)**	54,226
Basic earnings/(loss) per share	*6*	**HK0.54 cent**	HK0.47 cent	**HK(0.59) cent**	HK3.00 cents

Notes:

1. Basis of preparation and accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has adopted these HKFRSs in the accounts for the year ending 31st December, 2005.

The unaudited consolidated profit and loss account is extracted from the unaudited consolidated accounts of the Company which have been prepared in accordance with HKFRSs issued by the HKICPA, and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong ("the GEM Listing Rules"). They have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value. The applicable new HKFRSs are set out below:

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

All new standards adopted by the Group require retrospective application other than those specifically allowed under the transitional provisions in the relevant standards. The following is a summary of significant changes to the principal accounting policies adopted in the preparation of the 2004 annual accounts as a result of the adoption of the new HKFRSs in 2005.

(a) 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 buildings 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.

(b) *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.

(c) *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 will be carried at either amortised cost or fair value, depending on their classification. Movements in fair value will be 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.

2. Turnover and revenues

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 September,		Nine months ended 30th September,	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Revenue from sale of mobile phones and accessories, net	**1,740,610**	1,562,644	**4,866,119**	4,499,761
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	**14,795**	26,339	**64,092**	74,473
	1,755,405	1,588,983	**4,930,211**	4,574,234
Other revenues				
Interest income	**2,638**	1,469	**6,400**	3,212
Rental income	**327**	229	**965**	688
Repair service income, net	**(84)**	1,043	**5,042**	1,928
Others	**737**	–	**933**	–
	3,618	2,741	**13,340**	5,828
Total revenues	**1,759,023**	1,591,724	**4,943,551**	4,580,062

3. Other operating income/(expenses), net

Other operating income/(expenses), net mainly comprised amortisation of intangible assets and exchange differences, and for the nine months ended 30th September, 2005 also included provisions in connection with the cessation of operations of certain subsidiaries and gain on disposal of certain subsidiaries.

4. Taxation

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

	Three months ended 30th September,		Nine months ended 30th September,	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax *(note (i))*	**2,703**	2,245	**2,955**	10,637
Overseas taxation *(note (ii))*	**5,098**	7,038	**17,018**	24,842
Deferred taxation	**1,995**	(85)	**(740)**	(1,546)
	9,796	9,198	**19,233**	33,933

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.

5. Dividend

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

6. Earnings per share

Basic earnings/loss per share for the three months and the nine months ended 30th September, 2005 are calculated based on the profit of HK$10,523,000 and loss of HK$11,509,000 attributable to equity holders of the Company respectively (2004: profit of HK$9,147,000 and HK$58,343,000 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 September, 2005 and 2004 respectively.

7. Movements in reserves and minority interests

Movements in reserves and minority interests of the Group during the three months ended 30th September, 2005 and 2004 are set out below:

	Attributable to equity holders of the Company								
	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 July, 2004, as previously reported	127,258	3,120	3,994	162	4,872	(636)	464,848	3,780	607,398
Effect on changes in accounting policy on freehold and leasehold properties *(note 1)*	–	(3,120)	–	–	–	–	9,837	–	6,717
At 1st July, 2004, as restated	127,258	–	3,994	162	4,872	(636)	474,685	3,780	614,115
Exchange differences	–	–	–	–	–	(143)	–	(68)	(211)
Profit for the period	–	–	–	–	–	–	9,147	(573)	8,574
At 30th September, 2004	127,258	–	3,994	162	4,872	(779)	483,832	3,139	622,478
At 1st July, 2005	**127,258**	**–**	**3,989**	**–**	**4,872**	**(1,754)**	**452,459**	**(1,900)**	**584,924**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**3,794**	**–**	**223**	**4,017**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**10,523**	**1,361**	**11,884**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,412**	**1,412**
At 30th September, 2005	**127,258**	**–**	**3,989**	**–**	**4,872**	**2,040**	**462,982**	**1,096**	**602,237**

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.

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 September, 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$39,000,000, representing approximately 9% of the Company's total capitalisation as at 30th September, 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. The Group 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 three quarters of 2005, the Group distributed approximately 10 brands and over 100 models and sold approximately 3.2 million units of mobile phones.

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

In Malaysia, Samsung continued to be the top 2 mobile phone brand with a market share of approximately 22% during the period under review (source: GfK Report, September 2005). The subsidiary acquired 15 new models of the brand, namely SGH-C200C, SGH-X480C, SGH-E330C, SGH-E630C, SGH-E810C, SGH-P730C, SGH-i700C, SGH-D500C, SGH-E720C, SGH-C230, SGH-X620, SGH-E530, SGH-E730, SGH-E640 and SGH-Z500, during the nine months ended 30th September, 2005. Another retail shop 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.

In the Philippines, the Group further acquired exclusive distribution rights of 14 new Samsung models, namely SGH-i700, SGH-D500, SGH-E610, SGH-X480, SGH-X610, SGH-E720, SGH-E730, SGH-X640, SGH-C210, SGH-C230, SGH-E730, SGH-E640, SGH-E530 and SGH-X620, during the period under review, bringing its Samsung distribution portfolio to over 20 Samsung models to date. Samsung continues to be the second largest mobile phone brand in the Philippines during the third quarter of 2005, with a slightly increased market share from approximately 16% in the second quarter to approximately 17%, after the intensive marketing programs organised for the Samsung model SGH-D500 and a few new models. The Philippines subsidiary has set up an interactive Samsung Academy 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 Ilolio Island, Central Philippines and North Edsa.

Financial Review

For the nine months ended 30th September, 2005, the Group recorded a turnover of approximately HK$4,930 million, an increase of 7.8% over the corresponding period of 2004. Turnover for the third quarter of 2005 was approximately HK$1,755 million, an increase of 10.5% over the corresponding quarter of 2004. Total sales volume increased by 18% in the nine months ended 30th September, 2005 compared to the corresponding period, and increased 23% quarter on quarter.

Inspite of the continued pressure on prices and margins this quarter, the Group achieved satisfactory gross profit margin of 4.8% for the nine months ended 30th September, 2005 (nine months ended 30th September, 2004: 6.2%).

Selling and distribution expenses decreased by 29.3% over the corresponding period of 2004, from HK$69 million to approximately HK$49 million, due to the reduced number of new products launched during the nine months ended 30th September, 2005.

General and administrative expenses increased by 34.5% to approximately HK$147 million in the nine months ended 30th September, 2005. The increase is attributable to higher payroll cost as a result of an increase in 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 and the exchange loss for the nine months under review of approximately HK$9.5 million.

The finance costs increased from approximately HK$22 million to HK$31 million for the nine months ended 30th September, 2005 mainly due to the increase in interest rate.

Profit attributable to the equity holders for this quarter of approximately HK$11 million marks a further improvement from second quarter's profit of approximately HK$3 million and first quarter's loss of approximately HK$26 million.

FUTURE PLANS AND PROSPECTS

Mobile Phone Distribution

In the Philippines, mobile phones with cameras are still very popular and augmented by increasing demands for video capture and MP3 features. The Group will continue to strive to acquire distribution rights of more models with such features. Moreover, in order to promote sales in the Philippines, the Group expects to set up approximately 20 more Samsung Privilege Partners shops throughout the country. It also plans to set up more concept shops in Metro Manila and Visayas/Mindanao area.

On the 3G front, Mainland China, Hong Kong, Taiwan, Malaysia and Singapore have launched 3G services. The Group will continue to explore and seek potential opportunities arising from this.

The Group anticipates a better business performance in the last quarter of 2005 with the expected launch of several new models from key manufacturers and increased year-end seasonal demand for mobile phones.

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 September, 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 36,165,059 Shares in the Company lapsed during the nine months ended 30th September, 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 1,057,875 Shares lapsed due to the resignation of employees. As at 30th September, 2005, there are options remaining to subscribe for an aggregate of 62,208,566 Shares, representing 3.19% 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 1,575,000 Shares granted to 3 senior management staff and options to subscribe for an aggregate of 1,177,316 Shares granted to 26 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 September, 2005, the interests and short positions of the Directors and 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

	Number of shares of HK$0.10 each				
Name of Director	**Personal interests**	**Family interests** *(note (i))*	**Corporate interests** *(note (ii))*	**Total**	**Percentage of issued share capital**
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%

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 September, 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 September, 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 September, 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.

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 September, 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.

The audit committee has held four meetings during the calendar year to review and discuss the Company's annual report, half-year report and quarterly reports, 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 Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. 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, 11th November, 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

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