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## **EZCOM HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF FURTHER EQUITY INTERESTS IN FUTURE CIRCLE HOLDINGS LIMITED**

**Joint Financial Advisers**



**WALLBANCK BROTHERS  
Securities (Hong Kong) Limited**



**Partners Capital International Limited**

### **ANNOUNCEMENT**

#### **Summary**

The Directors would like to further explain the reasons for the exercise of the Future Circle Option by the Company and to reiterate that the profits after tax for Ezcom Tech decreased from approximately HK\$90 million for the year ended 31 March 2002 (audited) to approximately HK\$16.3 million for the six months ended 31 October 2002 (unaudited), which figures had been substantially incorporated into and reflected in the 2002 interim report of the Company.

The profit margin of Ezcom Tech had undoubtedly been dropped due to keen price competition of other competitors with a view to increase their market shares in the PRC market but Ezcom Tech has also adopted measures to improve the profitability of Ezcom Tech's business. As stated on p.13 of the Annual Report 2002 of the Company, the Group (mainly through Ezcom Tech) has explored and as a result acquired exclusive distribution rights around the third quarter of 2002 for unlimited period for new high-end models. As this kind of high-end models have been well received by the PRC market, the Directors consider that they have high market potential for distribution in the PRC.

The Directors anticipate that the future turnover of trading of mobile phones, parts and components will mainly be generated from the PRC market which is the largest market in the world in terms of number of mobile phone subscribers at the end of year 2002 and also one the fastest growing markets for mobile phones.

The Directors considered that the acquisition of the remaining 10% equity interest in Ezcom Tech would enable the Group to earlier enjoy further revenue and profit contributions from Ezcom Tech.

Reference is made to the announcement dated 23 May 2003 (the “**23 May Announcement**”) made by the Company. Terms used in this announcement shall have the same meanings as defined in the 23 May Announcement.

The Directors would like to further explain the reasons for the exercise of the Future Circle Option by the Company and to reiterate that the profits after tax for Ezcom Tech decreased from approximately HK\$90 million for the year ended 31 March 2002 (audited) to approximately HK\$16.3 million for the six months ended 31 October 2002 (unaudited), which figures had been substantially incorporated into and reflected in the 2002 interim report of the Company. However, such information was not incorporated in the 23 May Announcement. Given that the Company’s financial year end is 30 April whereas Ezcom Tech’s financial year end is 31 March, the Company would like to set out that the profits after tax for Ezcom Tech for the seven months ended 31 October 2002 (unaudited) was approximately HK\$67.7 million as this would cover the figure of April 2002 as well.

Ezcom Tech became a member of the Group on 14 November 2001. As included in the 23 May Announcement and the circular of the Company to be despatched to the Shareholders, there are analyses and comparisons of the Ezcom Tech’s audited financial performance for the two years ended 31 March 2002 and unaudited financial performance for the six months ended 31 October 2002.

In the 23 May Announcement, it was stated clearly that because the business of Ezcom Tech had been steadily growing (the turnover of Ezcom Tech increased from approximately HK\$996 million for the year ended 31 March 2001 to approximately HK\$1,478 million for the year ended 31 March 2002), the Directors considered that it was a good time and in the best interest of the Company to exercise the Future Circle Option in the manner stipulated in the Supplemental Agreement. The unaudited turnovers of Ezcom Tech for the six-month period ended 31 October 2002 and the seven-month period ended 31 October 2002 were approximately HK\$1,361 million and HK\$1,578 million respectively. The profit margin of Ezcom Tech had undoubtedly been dropped to approximately 1.2% (unaudited) for six-month period ended 31 October 2002 from 4.3% and 6.1% (audited) for the year ended 31 March 2001 and 2002 respectively due to keen price competition of other competitors with a view to increase their market shares in the PRC market. But Ezcom Tech has also adopted the following measures to improve the profitability of Ezcom Tech’s business. As stated on p.13 of the Annual Report 2002 of the Company, the Group (mainly through Ezcom Tech) has explored and as a result acquired exclusive distribution rights around the third quarter of 2002 for an unlimited period for new high-end models mainly from Samsung and Kejian. As this kind of high-end models have been well received by the PRC market, the Directors consider that they have high market potential for distribution in the PRC. Several new models such as Samsung’s signature model colour LCD T-208, Kejian K518 and other new high end color LCD models have received orders and been delivered to customers around the last quarter of 2002 and as they are hi-end products, their profit margins are higher and hence this shall help improve the profitability of Ezcom Tech’s business in the long run.

The Directors anticipate that the future turnover of trading of mobile phones, parts and components will mainly be generated from the PRC market which is the largest market in the world in terms of number of mobile phone subscribers at the end of year 2002 and also one of the fastest growing markets for mobile phones.

Furthermore, Ezcom Tech has plans to expand its trading business to other overseas markets of high growth rates in mobile communication like South East Asia, India and Middle East so as to increase the profitability of Ezcom Tech. In fact, Ezcom Tech has already commenced its trading business activities to distribute mobile phones in Hong Kong in May 2003 as its first step of its plan of expansion.

The Directors considered that the acquisition of the remaining 10% equity interest in Ezcom Tech would enable the Group to earlier enjoy further revenue and profit contributions from Ezcom Tech.

The Directors confirmed that the Group's bankers have raised concerns on the 10% minority stake of Ezcom Tech that is not within the control of the Company (a listed company) but with an individual. The Group's bankers have indicated that they are more willing to give financing to a wholly-owned subsidiary of the Company. In the event the Company obtains complete ownership and full consolidation of Ezcom Tech, this would eliminate the concerns of the bankers in the minority stake. The Company now has management control of Ezcom Tech since two of the three directors of Ezcom Tech are the Company's nominees.

More detailed explanation and analysis of the reasons for entering into the Supplemental Agreement and exercising the Future Circle Option are set out in the circular to be despatched by the Company to all Shareholders.

By Order of the Board  
**EZCOM HOLDINGS LIMITED**  
**Kok Kin Hok**  
*Chairman*

Hong Kong, 20 June 2003

“Please also refer to the published version of this announcement in China Daily”.