



EZCOM HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 312)

RESULTS FOR THE PERIOD FROM 1 MAY 2003 TO 31 MARCH 2004

RESULTS

The directors (the “Directors”) of Ezcom Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the 11-month period from 1 May 2003 to 31 March 2004 (“FY2004”) together with the comparative figures for the year ended 30 April 2003 (“FY2003”) as follows:

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Turnover | 2 | 2,594,987 | 2,699,784 |
| Cost of sales | | (2,432,520) | (2,592,409) |
| Gross profit | | 162,467 | 107,375 |
| Other operating income | | 2,094 | 19,818 |
| Distribution costs | | (19,065) | (77,731) |
| Administrative expenses | | (38,066) | (55,618) |
| Amortisation of goodwill | | (28,398) | (28,109) |
| Profit/(loss) from operations | 3 | 79,032 | (34,265) |
| Finance costs | 4 | (4,671) | (7,954) |
| Share of results of associates | | 8,574 | 343 |
| Gain on disposal of discontinued operations | | – | 28,544 |
| Profit/(loss) before taxation | | 82,935 | (13,332) |
| Taxation (charge)/credit | 5 | (16,598) | 1,831 |
| Profit/(loss) before minority interests | | 66,337 | (11,501) |
| Minority interests | | (5,077) | 412 |
| Profit/(loss) for the period/year | | 61,260 | (11,089) |
| | | | As restated |
| Earning/(loss) per share | 6 | | |
| – basic | | 10.29 HK cents | (5.67) HK cents |
| – diluted | | 10.25 HK cents | N/A |

Notes:

1. Change of financial year end date

In order to enable the Company to have the same financial year end as that of the major operating subsidiaries of the Company, during the period, the Company changed its financial year end date from 30 April to 31 March. Therefore, the financial statements for the current period cover an eleven-month period from 1 May 2003 to 31 March 2004.

2. Revenue and turnover

The Group is principally engaged in the trading of mobile phones and spare parts. The businesses of manufacturing and trading of office furniture and building materials, together with supply of kitchen cabinets, have been discontinued during FY2003. Revenues recognised during FY2004 are as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|------------------------|--------------------------------|-------------------------|
| Turnover | | |
| Sale of goods | <u>2,594,987</u> | <u>2,699,784</u> |
| Other operating income | | |
| Service fee income | – | 13,447 |
| Interest income | 1,817 | 6,064 |
| Rental income | 105 | – |
| Others | <u>172</u> | <u>307</u> |
| | <u>2,094</u> | <u>19,818</u> |

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China. Segment information of the Group by location of customers is presented below:

For the period from 1 May 2003 to 31 March 2004

| | Hong Kong <i>HK\$'000</i> | The People's Republic of China excluding Hong Kong ("PRC") <i>HK\$'000</i> | Others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|----------------------------------|-------------------------------------|--|----------------------------------|--|
| TURNOVER | <u>562,130</u> | <u>1,995,652</u> | <u>37,205</u> | <u>2,594,987</u> |
| RESULT | | | | |
| Segment result | <u>25,903</u> | <u>91,961</u> | <u>1,714</u> | 119,578 |
| Amortisation of goodwill | | | | (28,398) |
| Interest income | | | | 1,817 |
| Unallocated corporate expenses | | | | <u>(13,965)</u> |
| Profit from operations | | | | 79,032 |
| Finance costs | | | | (4,671) |
| Share of results of associates | | | | <u>8,574</u> |
| Profit before taxation | | | | 82,935 |
| Taxation charge | | | | <u>(16,598)</u> |
| Profit before minority interests | | | | 66,337 |
| Minority interests | | | | <u>(5,077)</u> |
| Profit for the period | | | | <u>61,260</u> |

For the year ended 30 April 2003

| | Hong Kong <i>HK\$'000</i> | The PRC <i>HK\$'000</i> | Others <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|------------------------------|----------------------------|---------------------------|---------------------------------|
| TURNOVER | <u>870</u> | <u>2,698,914</u> | <u>–</u> | <u>2,699,784</u> |
| RESULT | | | | |
| Segment result | <u>(459)</u> | <u>1,086</u> | <u>–</u> | 627 |
| Amortisation of goodwill | | | | (28,109) |
| Interest income | | | | 6,064 |
| Unallocated corporate expenses | | | | <u>(12,847)</u> |
| Loss from operations | | | | (34,265) |
| Finance costs | | | | (7,954) |
| Share of results of associates | | | | 343 |
| Gain on disposal of discontinued operations | | | | <u>28,544</u> |
| Loss before taxation | | | | (13,332) |
| Taxation credit | | | | <u>1,831</u> |
| Loss before minority interests | | | | (11,501) |
| Minority interests | | | | <u>412</u> |
| Loss for the year | | | | <u>(11,089)</u> |

3. Profit/(loss) from operations

Profit/(loss) from operations has been arrived after charging the following:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Amortisation of goodwill | 28,398 | 28,109 |
| Depreciation of property, plant and equipment | <u>652</u> | <u>9,656</u> |

4. Finance costs

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest on bank loans and overdrafts wholly repayable within five years | 2,501 | 5,620 |
| Other borrowing costs | <u>2,170</u> | <u>2,334</u> |
| | <u>4,671</u> | <u>7,954</u> |

5. Taxation (charge)/credit

Hong Kong Profits tax has been provided at the rate of 17.5% (FY2003: 16%) on the estimated assessable profit for the period/year. No provision for PRC income tax is made as the PRC subsidiaries of the Company have no assessable profit for the period (FY2003: Nil).

The amount of taxation (charged)/credited to the consolidated income statement represents:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Hong Kong Profits tax | | |
| Current period/year | (15,345) | (30) |
| (Under)/over provision in respect of prior years | (2,788) | 4,520 |
| Deferred tax credit for the period | 171 | – |
| Share of taxation of associates | 1,364 | (2,659) |
| | <u>(16,598)</u> | <u>1,831</u> |

6. Earning/(loss) per share

The calculation of basic earning/(loss) per share is based on the profit/(loss) attributable to shareholders for the period of HK\$61,260,000 (FY2003: loss of HK\$11,089,000) and the weighted average of 595,379,807 (FY2003: 195,669,510) ordinary shares in issue during the period/year.

The calculation of diluted earning/(loss) per share is based on the profit/(loss) attributable to shareholders for the period of HK\$61,260,000 (FY2003: loss of HK\$11,089,000) and 597,402,568 (FY2003: 195,669,510) ordinary shares, being the weighted average number of shares outstanding during the period/year, adjusted for the effects of the dilutive potential ordinary shares outstanding during the period/year.

The weighted average number of ordinary shares for the purpose of basic earning/(loss) per share has been adjusted for the issue of ordinary shares under an open offer of the Company completed on 14 May 2003.

The computation of diluted earning per share for the period does not assume the conversion of the convertible notes outstanding during the period since their exercise would result in an increase in earning per share.

No diluted loss per share was presented for the prior year as the exercise of share options and convertible notes would be anti-dilutive.

7. Transfers to and (from) reserves

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Share premium | | |
| – issue of shares | 45,860 | – |
| – capital restructuring | – | 508,537 |
| Exchange fluctuation reserve – disposal of subsidiaries | – | (91) |
| Profit/(loss) for the period/year | <u>61,260</u> | <u>(11,089)</u> |

FINAL DIVIDEND

At a board meeting held on 23 July 2004, the Directors recommended the payment of a final dividend of 1.0 HK cent (FY2003: Nil) per share for the period from 1 May 2003 to 31 March 2004 to shareholders whose names appear on the register of members of the Company on 23 September 2004, subject to the approval by shareholders at the forthcoming Annual General Meeting to be held on or around 23 September 2004. It is expected that the proposed final dividend will be payable on 15 October 2004.

This proposed dividend is not reflected as a dividend payable in these financial statements.

The amount of proposed final dividend is based on 611,467,218 shares in issue as at 23 July 2004.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 September 2004 to Thursday, 23 September 2004 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all share certificates with completed transfer forms must be lodged with the Company's registrars in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 16 September 2004.

OPERATING RESULTS

Results

Notwithstanding the outbreak of SARS in 2003, the tough worldwide market conditions and increasingly competitive environment, the Group was able to achieve a continual growth in turnover in FY2004. The consolidated turnover of the Group for the FY2004 was HK\$2,595 million, representing an annualized increase of 4.86% from the consolidated turnover of HK\$2,700 million in the previous financial year ("FY2003"). The Group's profit attributable to shareholders was HK\$61.26 million. (FY2003: loss of HK\$11.09 million). Earning per share (basic) for FY2004 amounted to 10.29 HK cents whilst the adjusted loss per share was 5.67 HK cents for FY2003.

BUSINESS REVIEW

The results for the period under review proved to be encouraging for the three core business focus of the Group, namely (i) distribution of Samsung mobile phones in China (ii) distribution of Kejian mobile phones in overseas markets; and (iii) acting as International Purchasing Office.

(i) Distribution of Samsung Mobile Phones in China

Attributable to the effort of the Management, the Group's distribution network of mobile handsets in China has been further expanded to 26 major cities, provinces and autonomies with support from more than 100 core distributors and over 5,000 registered retail shops by the end of FY2004. In addition, we have maintained excellent relationship with our main supplier Samsung, the world's third largest manufacturer of mobile phones in terms of market share. In fact, Samsung performed very well and took part of market share of its major competitors not only in China, but also in the worldwide market during the last year and is generally recognized as the most trendy mobile phone brand name in China given their stylish looks and usability.

(ii) Distribution of Kejian Mobile Phones in Overseas Markets

During the period under review, feature-rich models with colour display came onto the market, especially K698, K699 and K606 are high-end stylish phones with camera, and also K388 which adopted technologies of PHILIPS such that its standby time can last for 10 days and therefore our consumers became motivated to purchase new models of our products. Ezcom intends to capitalize on this trend by offering a series of new models with advanced features, to simulate demand among our targeted consumers. The Group continued to renew its product line-up, launching several new fashionable models with colour screens, camera and multimedia capability.

The period under review also marked the initial rollout of our products outside Mainland China. Since May 2003 Ezcom has already been successfully distributing few popular models of Kejian brand mobile phones in Hong Kong and Macau to pave the way for our growth in other regions like India, Russia, Middle East and other developing countries.

(iii) International Purchasing Office

The Group has more than 10 years of solid experience in the business of purchasing of electronic components. During the period under review, we have acted as “one-stop” electronic components purchasing office for a number of GSM mobile phone manufacturers in China and South Korea by utilizing the Group’s good relationship with international leading manufacturers of electronic components.

“One-stop” purchasing of electronic components, which generated stable income for the Group, has become the Group’s new focus of growth in profitability apart from the Group’s business of distributing mobile phones.

(iv) Batteries

We have invested in a high-tech joint-venture company in Shanghai engaging in manufacturing of safe and high-quality polymer batteries for mobile phones, notebook computers and portable DVD players since we believe the availability of high-quality batteries is critical to the further development of electronic gadgets and mobile technology like 3G and even 4G.

Research and Development

In respect of technology and research & development, our 33.98% interest in Ezze Mobile Tech. Inc, proved to be highly valuable to the Group’s vision to become a full mobile telecommunications solutions provider with premium-value-added services possessing unsurpassed strengths in areas of up-to-date mobile solutions, innovative product designs, production support, quality control and provision of after-sale services.

Apart from assisting in our customer, Kejian’s sponsorship to Everton Football Club of English Premier League, the Group has also successfully assisted Kejian in its jersey sponsorship to Hong Kong Representative Team in “Invest Hong Kong Football Challenge 2003 against Liverpool”® in July 2003. The programme has reinforced our customer, Kejian’s sports-driven branding initiatives as part of a series of carefully planned sports sponsorship events in soccer and also supported one of the community events in the Hong Kong’s bounce back activities after the outbreak of SARS.

Financial Position

The Group continued to be able to sustain its sound financial position. At 31 March 2004, the Group’s total cash on hand and total bank borrowings aggregated to HK\$81 million and HK\$59 million (30 April 2003: HK\$102 million and HK\$116 million) respectively, in which bank borrowings amounted to HK\$56 million (30 April 2003: HK\$112 million) were repayable within one year from 31 March 2004. The bank borrowings were secured by bank deposits of HK\$75 million (30 April 2003: HK\$75 million) and legal charges on the properties of the Group with an aggregate net book value of HK\$13 million (30 April 2003: HK\$14 million) as at 31 March 2004.

The Group’s business transactions, assets and liabilities are mainly denominated in Hong Kong Dollars, Renminbi, Japanese Yen and United States Dollars. It is the Group’s treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group’s major source of funds was cash flow generated from its operating activities and financing from banks and share issuance. The Group does not conduct any foreign currency speculative activities.

The Group had contingent liabilities in respect of bills of exchange discounted with recourse amounted to HK\$76 million (30 April 2003: HK\$89 million) as at 31 March 2004.

Shareholders' funds were maintained at a level of HK\$523 million and the gearing ratio as measured by total bank borrowings to net assets dropped to 11% as at 31 March 2004 (FY2003: 27%).

PROSPECTS

We anticipate that stable growth in revenue and profits from the Group's distribution of fashionable mobile handsets in China, Hong Kong, Macau and also overseas markets and supply of mobile phone, electronic components and technology to a number of Chinese and Korean mobile phone manufacturers will enable the Group to achieve continual strong organic growth.

In light of the highly competitive market and rapidly changing environment, innovative ideas offered by our associated company, Ezze Mobile brings the Group closer to cutting edge developments in the mobile telecommunications industry, including multi-media messaging, mobile high-speed data transmission via GPRS, 3G or other platforms and development of smartphones.

We will keep our eyes on business opportunities in 3G handsets since it is likely that the transition from 2G to 3G will span several years and significant volume sales of new 3G mobile phones only possible with the timely and successful construction of pricey new 3G networks and debut of 3G services by carriers and availability of high quality 3G-enabled mobile phones in the Greater China Region, in particular, China is still nurturing its own domestic standard for the 3G technology.

The combination of Ezze Mobile's handset design capabilities with Samsung's advanced technology support and Kejian's manufacturing strength will provide the Group with a unique edge over our competitive peers in implementing solutions. In fact, a national survey performed in 2003 on brand identity in China ranked Kejian number one in brand visibility for mobile phones in the country.

Across the Asia, selected industries and geographic regions have their individual challenges, but the overall business environment seems to have become stabilized. The prospect for modest but emerging growth is further enhanced by the implementation of CEPA, other supportive measures for Hong Kong Companies introduced by the Chinese government in 2004 and the gradual de-regulation of China's telecom market under WTO in 2005. The Management therefore anticipates that there will be more opportunities for the Group's business to grow in the PRC of telecommunication market.

In 2004, IDC expects total worldwide market volumes in mobile handsets to grow by 12% or slightly more. Volume growth in 2004 is expected to be driven by the combined effects of an expanding subscriber base especially in developing countries like China and India and a stabilizing replacement cycle. Just over a quarter of current PRC subscribers upgrade their handsets annually, which translates into a replacement cycle of roughly 2.5 years. We note that consumer sentiment has already rebounded and retail sales figures have been improving significantly in Hong Kong and China since the normal buying pattern has resumed.

We also envisage the landing of our products in other new overseas markets. Based on the Group's current successful business models in PRC and Hong Kong, the Group will continue its geographical expansion and enhance its market presence in the other regions since our products have already landed on India's booming handset sector which has a very low mobile penetration rate of 3 to 5% and is set to emerge as the fourth-largest handset market in the world according to industry estimates.

While the Group will maintain its business in distributing Samsung's premium, high-end models, in order to further strengthen the Group's products portfolio, the Group may also consider to distribute smartphones which are now very popular in China and mid-end models of Kejian with advanced functionality to cater for the customer's needs in overseas markets and developing countries and will try to provide high quality value-added services to our customers. With a corporate vision to "Bring Technology to Life", Ezcom is committed to becoming a regional leader in the mobile telecommunications industry.

For the benefits of the shareholders and the Company as a whole, the Board will also explore new business expansion and investment opportunities to diversify our business.

Employees

As at 31 March 2004, the Group employed approximately 30 staff (FY2003: 30) in Hong Kong and had approximately 40 employees (FY2003: 40) in the Mainland China. The staff costs, which included salaries, allowance and other benefits in kind amounted to approximately HK\$14 million (FY2003: HK\$50 million). The decreases in staff headcount and staff costs were mainly due to the disposal and discontinual of office furniture business during FY2003.

The Group continues to employ, promote and reward its staff based upon their performance, experience and potential. The Group also consistently adopts a policy of employment enrichment and gives opportunities to existing staff whenever possible.

In addition to the basic salary and various medical insurance plans, the Group rewards its employees by way of performance related bonuses and share option for certain qualifying employees. The Group has also established pension schemes in accordance with the Mandatory Provident Fund Schemes Ordinance.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that non-executive directors of the Company are not appointed for specific terms. According to the Company’s Bye-laws, non-executive directors are subject to retirement by rotation and re-election at the Annual General Meeting of the Company. In the opinion of the directors, this meets the same objective as in the Code of Best Practice.

AUDIT COMMITTEE

The Company has established an audit committee since 28 December 1998 (“the Committee”) with the written terms of reference. The Committee’s principal duties are the review and supervision of the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors. Two meetings have been held during the current financial period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the period.

FULL DETAILS OF FINANCIAL INFORMATION

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the web-site of The Stock Exchange of Hong Kong Limited in due course.

The board of directors of the Company as at the date of this announcement comprises of Mr. Kok Kin Hok, Mr. Lam Bing Sum, Mr. Lian Song Qing, being executive directors, Mr. Hou Ziqiang, being non-executive director, Dr. Yang Shiqin, Dr. Li Jianhua and Mr. Wang Shunian, being independent non-executive directors.

By Order of the Board
KOK Kin Hok
Chairman

Hong Kong, 23 July 2004

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