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**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE EQUITY INTERESTS IN
FUTURE CIRCLE HOLDINGS LIMITED
NOT ALREADY OWNED BY THE COMPANY**

Independent Financial Adviser to the Independent Board Committee and the Shareholders



KINGSTON CORPORATE FINANCE LIMITED

A letter from the Independent Board Committee is set out on page 9 of this circular. A letter from Kingston Corporate Finance Limited containing its advice to the Independent Board Committee and the Shareholders of the Company is set out on pages 10 to 20 of this circular.

28th September, 2004

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	3
Letter from the Independent Board Committee	9
Letter from Kingston Corporate Finance Limited	10
Appendix – General Information	21

DEFINITIONS

In this circular, the following expression have the following meanings unless the context requires otherwise.

“Acquisition”	the acquisition of the Sale Share by the Company from Mr. Li as contemplated under the Agreement
“Agreement”	an agreement dated 7th September, 2004 entered into between the Company and Mr. Li in respect of the Acquisition
“Board”	the board of Directors
“Company”	Ezcom Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Consideration”	HK\$30,000,000 to be satisfied by the issuing of the Promissory Note by the Company to Mr. Li
“Director(s)”	(a) director(s) of the Company
“Ezcom Tech”	Ezcom Technology Limited, a company incorporated in Hong Kong under the Companies Ordinance (Cap. 32) with limited liability on 3rd August, 1995 and, before the Acquisition, an indirect non wholly-owned subsidiary of the Company
“Future Circle”	Future Circle Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 12th June, 2001, which is 70% owned by Select Right and 30% by Mr. Li and which is a non-wholly owned subsidiary of the Company prior to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars
“Independent Board Committee”	the independent board committee consisting of Dr. Yang Shiqin, Dr. Li Jianhua and Mr. Wang Shunian, which has been formed to advise Shareholders on whether the Acquisition is fair and reasonable

DEFINITIONS

“Independent Financial Adviser”	Kingston Corporate Finance Limited, a corporation licensed to carry out Type 6 regulated activity for the purpose of the SFO
“Latest Practicable Date”	24th September, 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	second anniversary of the date of issue of the Promissory Note
“Mr. Kok”	Mr. Kok Kin Hok, a Director, who beneficially and indirectly owned approximately 52.7% of the total issued share capital of the Company as at the Latest Practicable Date
“Mr. Li”	Mr. Li Tung Wai, a director of Future Circle, who is the vendor of the Sale Share pursuant to the Agreement
“Option(s)”	the share option(s) granted to the employee(s) of the Group under the employee share option schemes of the Company
“Promissory Note”	a promissory note in the principal amount of HK\$30,000,000 to be issued by the Company to Mr. Li pursuant to the Agreement in satisfaction of the Consideration
“Sale Share”	1 share in Future Circle, representing one-third of its total issued share capital
“Select Right”	Select Right Developments Limited, an investment company incorporated in the British Virgin Islands with limited liability on 12th June, 2001 and which is a wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD

EZCOM
BRING TECHNOLOGY TO LIFE
EZCOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 312)

Executive Directors:

Mr. Kok Kin Hok (*Chairman*)
Mr. Lam Bing Sum
Mr. Lian Song Qing

Non-Executive Director:

Mr. Hou Ziqiang

Independent Non-executive Directors:

Dr. Yang Shiqin
Dr. Li Jianhua
Mr. Wang Shunian

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

*Head office and Principal Place
of Business:*

Unit 1C & 1D, 14th Floor
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

28th September, 2004

To the Shareholders and, for information only, the holders of Options

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE EQUITY INTERESTS IN
FUTURE CIRCLE HOLDINGS LIMITED
NOT ALREADY OWNED BY THE COMPANY**

INTRODUCTION

On 7th September, 2004, the Company entered into the Agreement with Mr. Li, pursuant to which, enter alia, the Company agreed conditionally to acquire from Mr. Li, his entire interest in Future Circle Holdings Limited (being one-third of the total issued share capital of Furture Circle), at a consideration of HK\$30,000,000 which has been satisfied by the Company by issuing a promissory note in such amount to Mr. Li. The purpose of this circular is to provide you with more information on the Acquisition and the advice from the Independent Board Committee and the Independent Financial Adviser.

LETTER FROM THE BOARD

AGREEMENT

A summary of the terms of the Agreement is set out below.

Date

7th September, 2004

Parties

Vendor: Mr. Li Tung Wai, who beneficially owns the Sale Share representing one-third of the total issued share capital of the Future Circle. As far as the Directors are aware, as at the Latest Practicable Date, Mr. Li and his associates did not have any shareholdings in the Company nor did he have any other shareholdings in other members of the Group save for his indirect interests in Ezcom Tech. Mr. Li is also a connected person of the Company by virtue of: (i) his substantial shareholding interest in the Company's subsidiary, Future Circle; and (ii) his directorship in members of the Group. He is a director of the following members of the Group:-

1. Future Circle Holdings Limited
2. Ezcom Technology Limited
3. Joy Loyal Development Limited
4. Ezcom Industries Limited
5. Scm (Holdings) Limited
6. Ezcom Electronics Limited

Purchaser: the Company

Subject

Sale Share

Consideration

HK\$30,000,000, which was satisfied by the issue of the Promissory Note on 23rd September, 2004.

Conditions Precedent

The conditions precedent of the Agreement are:

- (1) The Agreement and the transactions contemplated thereunder including the issue of the Promissory Note having been approved by the Shareholders who are qualified under the Listing Rules to vote on the relevant resolutions in the general meeting of the Company or if the Stock Exchange agrees, by a certificate signed by the Shareholders holding more than 50% of the total issued share capital of the Purchaser; and

LETTER FROM THE BOARD

- (2) All consents, waivers, authorisations, approvals and clearances (if any) of any relevant governmental or regulatory authority or any relevant third party necessary for the parties to enter into and perform this Agreement having been obtained

As at the Latest Practicable Date, all conditions have been fulfilled or waived.

Completion

Completion took place on 23rd September, 2004.

INFORMATION ON THE GROUP

The principal business of the Company is investment holding. Through its subsidiaries, it principally engages in the distribution of Samsung mobile phones in the PRC and the sale and purchase of electronic components for GSM mobile phones.

INFORMATION ON FUTURE CIRCLE

Future Circle is a company incorporated in the British Virgin Islands with limited liability on 12th June, 2001 and is owned as to two-thirds by the Company and as to the remaining one-third by Mr. Li. It is an investment holding company whose only asset is a 30% interest in Ezcom Tech and have no significant liabilities of itself.

REASONS FOR ENTERING INTO THE TRANSACTION AND INFORMATION ON EZCOM TECH

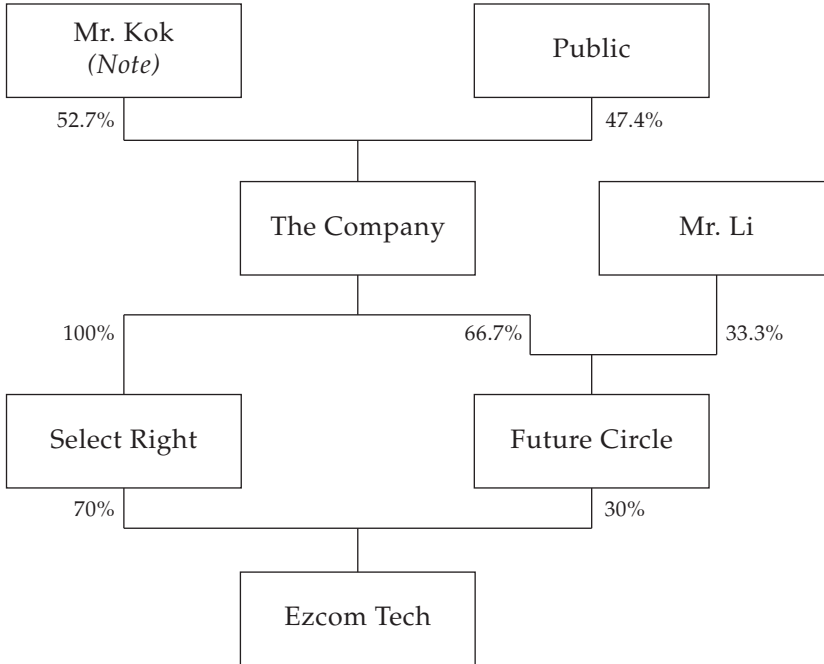
Ezcom Tech is a limited liability company incorporated in Hong Kong which is owned as to 70% by Select Right, a wholly-owned subsidiary of the Company and as to 30% by Future Circle. Ezcom Tech was established by Mr. Li in 1995 with an initial capital of approximately HK\$300,000. It is principally engaged in the trading in Asia of mobile phones and mobile phone-related electronic components. According to the financial statements of Ezcom Tech, its audited consolidated net profit before taxation amounted to approximately HK\$17,239,000 and HK\$51,842,000 for the financial years ended 31st March, 2003 and 31st March, 2004 respectively. The audited consolidated profit after taxation of Ezcom Tech for the two financial years ended 31st March, 2003 and 31st March, 2004 amounted to approximately HK\$16,098,000 and HK\$45,187,000 respectively. According to the financial statements of Ezcom Tech, its audited consolidated net assets as at 31st March, 2004 were approximately HK\$207,301,000.

In light of the continued growth of the business of Ezcom Tech, the Directors considered a good time to acquire the remaining interests in Future Circle thereby turning Ezcom Tech into a wholly-owned subsidiary of the Company. The Acquisition has resulted in the Company owning indirectly 100% of Ezcom Tech. Based on the shareholding structure of the Company as at the Latest Practicable Date, the following chart shows the

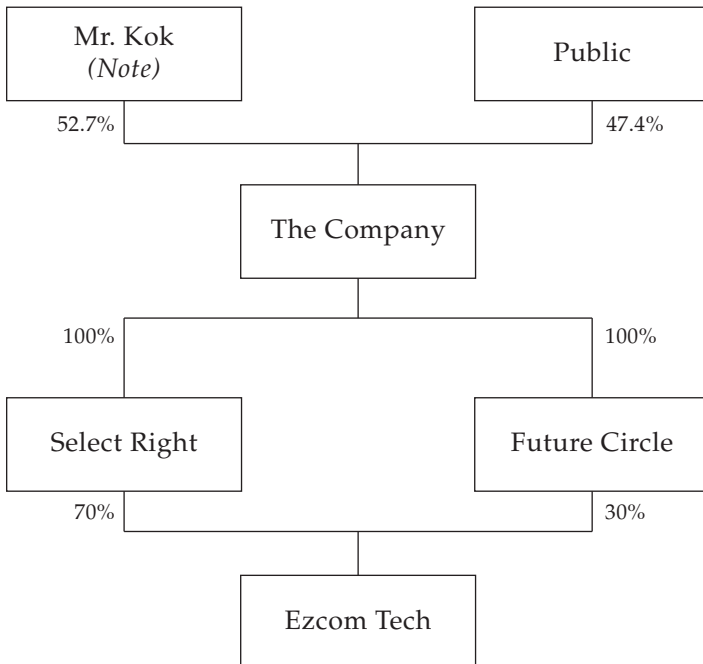
LETTER FROM THE BOARD

shareholding structure of the Company's interests in Ezcom Tech before and immediately upon completion of the Agreement:-

BEFORE COMPLETION



IMMEDIATELY AFTER COMPLETION



Note: Mr. Kok has an aggregate 52.7% indirect interest in the Company through Anglo Express Group Limited and All About Investments Limited, which are both beneficially and wholly-owned by Mr. Kok.

LETTER FROM THE BOARD

The turning of Ezcom Tech into the Company's wholly-owned subsidiary enables the Group to eliminate minority interests recorded in its financial statements. The assets attributable to Group's minority interests as at 31st March, 2004 as recorded in its audited consolidated balance sheet were approximately HK\$21,266,000 and the profits attributable to Group's minority interests for the period from 1st May, 2003 to 31st March, 2004 as recorded in its audited consolidated income statement were approximately HK\$5,077,000. Based on the audited consolidated financial statements of the Company for the 11 months ended 31st March, 2004, the Acquisition enables the Company to eliminate almost all of these minority interests and reflect fully the performance of Ezcom Tech in the consolidated financial statements of the Group.

BASIS OF CONSIDERATION

The Consideration of HK\$30,000,000 was arrived at by reference to the performance and financial information of Ezcom Tech. The following is a summary of the audited consolidated financial information of Ezcom Tech for the year ended 31st March, 2004:

	<i>HK\$ approximate</i>
Turnover	2,251,894,000
Net Profit Before Taxation	51,842,000
Current Assets	729,762,000
Current Liabilities	533,925,000
Net Assets	207,301,000

The Directors consider the terms of the Agreement and the Consideration to be fair and reasonable. The Directors also consider that the Acquisition is in the interest of the Company and its Shareholders as a whole.

The Promissory Note carries an interest rate of 1% per annum which shall be payable semi-annually. It is repayable by the Group's internal resources on or (at the Company's discretion) any time before the Maturity Date.

LETTER FROM THE BOARD

GENERAL

The transaction constitutes a discloseable transaction and connected transaction for the Company subject to announcement, reporting and shareholders' approval requirement. A letter from the Independent Board Committee is set out on page 9 of this circular. A letter of advice from the Independent Financial Adviser advising the Shareholders and the Independent Board Committee is set out on pages 10 to 20 of this circular. As far as the Directors are aware, no Shareholders have a material interest in the transaction, as such, no Shareholder would be required under the Listing Rules to abstain from voting on the Acquisition were a general meeting is convened. Mr. Kok Kin Hok, who is a Director and who had an approximately 52.7% interest in the issued share capital of the Company as at the Latest Practicable Date, has given written approval of the Acquisition. The requirements of Rule 14A.43 of the Listing Rules have been satisfied. Accordingly, no shareholders meeting will be held to approve the Acquisition.

Yours faithfully,
By order of the Board
Ezcom Holdings Limited
Kok Kin Hok
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

EZCOM
BRING TECHNOLOGY TO LIFE
EZCOM HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 312)

28th September, 2004

To the Shareholders and, for information only, the holders of the Options

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE EQUITY INTERESTS IN
FUTURE CIRCLE HOLDINGS LIMITED
NOT ALREADY OWNED BY THE COMPANY**

We refer to the circular dated 28th September, 2004 issued by the Company (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

Kingston Corporate Finance Limited has been appointed to advise the Independent Board Committee and Shareholders on the fairness and reasonableness of the terms and conditions of the Agreement and whether the Agreement is in the best interests of the Company and the Shareholders as a whole and whether the Shareholders shall approve the transaction. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 10 to 20 of the Circular.

Having taking into account the advice of Kingston Corporate Finance Limited, we consider that the terms and conditions of the Agreement are fair and reasonable so far as the Shareholders are concerned and that the Agreement is in the best interests of the Company and the Shareholders as a whole. We therefore recommend Shareholders to approve the transaction.

Yours faithfully,
Ezcom Holdings Limited
Independent Board Committee
Dr. Yang Shiqin Dr. Li Jianhua
Mr. Wang Shunian
Independent non-executive Directors

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED



Kingston Corporate Finance Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

28th September, 2004

*To: The Independent Board Committee and
the Shareholders of Ezcom Holdings Limited*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION –
IN RELATION TO THE ACQUISITION OF THE EQUITY INTERESTS IN
FUTURE CIRCLE HOLDINGS LIMITED
NOT ALREADY OWNED BY THE COMPANY**

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Advisor to advise the Independent Board Committee and the Shareholders in relation to the terms of the Agreement, details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 28th September, 2004 issued by the Company to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company entered into the Agreement with Mr. Li on 7th September, 2004, pursuant to which, inter alia, the Company agreed conditionally to acquire from Mr. Li, his entire interests in Future Circle, representing one-third of the total issued share capital of Future Circle, which has been satisfied by the issue of the Promissory Note in the principal amount of HK\$30 million by the Company to Mr. Li.

As at least one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceeds 5%, i.e. the Consideration of HK\$30 million represented approximately 24.7% of the total market capitalisation of the Company, the entering into of the Agreement constitutes a discloseable transaction for the Company under the Listing Rules. In addition, Mr. Li is regarded as a connected person under Chapter 14A of the Listing Rules by virtue of Mr. Li being a director of Ezcom Tech and a substantial shareholder of Future Circle, a subsidiary of the Company. Accordingly, the entering into of the Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

As far as the Directors are aware, no Shareholders have a material interest in the Acquisition. As such, no Shareholders would be required under the Listing Rules to abstain from voting on the relevant resolution in respect of the Acquisition were a general meeting is to be convened. Mr. Kok, who is a Director and holds approximately 52.7% interest in the issued share capital of the Company, as at the Latest Practicable Date, has given written approval of the Acquisition. The requirements of Rule 14A.43 of the Listing Rules have been satisfied. Accordingly, no meetings of Shareholders will be convened for the purpose of considering the Acquisition.

The Board has appointed the Independent Board Committee to consider whether the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and whether the Shareholders shall approve the Acquisition. Kingston Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date hereof. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisors and/or the Directors, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associated companies.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

I. Background of and reasons for entering into of the Agreement

Business and financial review of the Group

As set out in the Company's annual report for the year ended 31st March, 2004 (the "Annual Report"), the Group is principally engaged in (i) distribution of *Samsung* mobile phones in the PRC; (ii) distribution of *Kejian* mobile phones in overseas market; and (iii) acting as international purchasing office.

As advised by the Directors, a significant part of the Group's revenue was derived from the distribution of *Samsung* mobile phones in the PRC and mobile phone-related electronic parts and components, representing approximately 80% of the Group's audited consolidated turnover for the period from 1st May, 2003 to 31st March, 2004 of approximately HK\$2,594.99 million. Furthermore, as stated in the Annual Report, the Group's distribution network of mobile handsets in the PRC had expanded to 26 major cities, provinces and autonomies with support from more than 100 core distributors and over 5,000 registered retail shops by end of March 2004.

As set out in the Annual Report, the Group recorded an audited consolidated net profit of approximately HK\$61.26 million for the period from 1st May, 2003 to 31st March, 2004, a significant improvement from the previous 12 month period of net loss of approximately HK\$11.09 million. The audited net asset value ("NAV") of the Group as at 31st March, 2004 amounted to approximately HK\$523.22 million with total borrowings of approximately HK\$59.93 million as at 31st March, 2004.

Overview of the mobile telecommunication industry in the PRC

The PRC mobile communication market is one of the fastest expanding mobile communication markets in the world in terms of mobile phone subscribers. According to the official data released by the Ministry of Information Industry (the "MII") of the PRC at the website www.mii.gov.cn, the number of mobile phone subscribers in the PRC increased by approximately 41.52 million subscribers representing an increase of approximately 15.45%, from approximately 268.69 million subscribers in December 2003 to approximately 310.21 million subscribers in July 2004. According to the MII, the rate of penetration of mobile phones in the PRC was approximately 23.7% as at July 2004, indicating that there is room for expansion of the sales of mobile phones in the PRC.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

For information only, reported by Chunghwa Information Communication Technology (“CICT”), the Taiwan marketing agent for China Centre of Information Industry Development (“CCID”) in September 2004, *Samsung* ranked third in the sales of mobile phones in the PRC market during the first half of 2004. The volume of sales was approximately 3.34 million, amounting to approximately 9.87% of the total volume of market sales during the same said period. In addition, *Samsung* has announced its plan of having PRC to be its largest overseas market by 2005 and targets to increase its market share of the sales of mobile phones market to over 10% in 2004.

Information on Future Circle

As referred to in the Board Letter, Future Circle is an investment holding company whose sole asset is a 30% interest in Ezcom Tech and is owned as to two-thirds by the Company and as to the remaining one-third by Mr. Li. Future Circle was incorporated in the British Virgin Islands with limited liability on 12th June, 2001. As set out in Future Circle’s management accounts for the year ended 31st March, 2004 provided by the Company, Future Circle had unaudited net deficit of HK\$5,436.60 as at 31st March, 2004, including unaudited current liabilities of an amount due to the Company of HK\$305,436.60 and investment in Ezcom Tech of HK\$300,000.

Information on Ezcom Tech

Ezcom Tech is a limited liability company incorporated in Hong Kong and is owned as to 70% by Select Right, a wholly-owned subsidiary of the Company and 30% by Future Circle. As such, Ezcom Tech is the Company’s 90% indirect owned subsidiary. As advised by the Directors, Ezcom Tech is principally engaged in the trading of *Samsung* mobile phones and mobile phone-related electronic parts and components in the PRC. The Directors have confirmed that they have taken an active role in managing the business of Ezcom Tech and will remain unchanged after the Acquisition.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

Tabularised below is a summary of the audited consolidated financial information of Ezcom Tech for the two years ended 31st March, 2004:

	For the year ended 31st March,		Increase/
	2004	2003	(Decrease)
	<i>HK\$ million</i>	<i>HK\$ million</i>	%
Turnover	2,251.89	2,379.04	(5.3)
Gross profit	90.9	66.7	36.2
Net profit	45.20	16.11	180.6
Gross profit margin	4.0%	2.8%	42.9
Net profit margin	2.0%	0.7%	185.7
	As at 31st March,		Increase
	2004	2003	%
	<i>HK\$ million</i>	<i>HK\$ million</i>	
NAV	207.30	162.10	27.9

As depicted above, Ezcom Tech recorded a significant profit increase by approximately 1.8 times from the year ended 31st March, 2003 to 31st March, 2004 while recorded turnover decrease by approximately 5.3% during the same period under review. Furthermore, as advised by the Directors, the improvement of the net profit margin of Ezcom Tech was mainly attributable to the improvement in gross profit margin and decrease in distribution costs such as advertising expenses and freight charges during the period under review. In addition, as advised by the Directors, the improvement in Ezcom Tech's gross profit margin for the year ended 31st March, 2004 was mainly due to the fact that the year ended 31st March, 2003 was a transitional period for Ezcom Tech's products and the market in which it was operating, i.e. increasing demand for coloured LCD mobile phones and less for monochrome LCD mobile phones for the year ended 31st March, 2003. As a result, Ezcom Tech had to sell its monochrome LCD mobile phones at a relatively low price during the year ended 31st March, 2003. The Directors have further advised that Ezcom Tech mainly sold coloured LCD mobile phones which enjoyed higher price as compared with monochrome LCD mobile phones for the year ended 31 March, 2004 resulting in an improvement in gross profit margin.

Reasons for entering into of the Agreement

As advised by the Directors, the Group has been acting as an exclusive agent of several models of *Samsung* mobile phones selling in the PRC. As aforementioned above, the Group's main revenue driver was from distribution of *Samsung* mobile phones and mobile phone-related electronic parts and

components in the PRC. In addition, the Directors have also confirmed that the revenue from the distribution of *Samsung* mobile phones and trading of mobile phone-related electronic parts and components for the Group was mainly attributable from Ezcom Tech. As set out above, Ezcom Tech has a proven track record. Furthermore, as confirmed by the Directors, Ezcom Tech not only has a proven track record, it has also been the Group's major revenue and profit driver for the year ended 30th April, 2003 and the 11 months ended 31st March, 2004. The Directors have further advised that the business carried out by Ezcom Tech, i.e. sale and purchase of electronic components for GSM phones has become the Group's new focus of growth apart from distributing *Samsung* mobile phones.

We are of the opinion that as Ezcom Tech is already owned as to 90% effective interest and managed by the Company, the acquisition of the remaining 10% effective interest, turning Ezcom Tech into a wholly-owned subsidiary of the Group, would enable the Group to further enjoy the revenue and profit contributions from Ezcom Tech and to have 100% voting rights of Ezcom Tech.

In light of the above, taking into account that (i) Ezcom Tech has a proven track record; (ii) Ezcom Tech has been the Group's major revenue and profit driver; (iii) Ezcom Tech's principal business is in fact the Group's business focus; and (iv) the PRC was one of the fastest growing mobile communication market in terms of mobile phone subscribers, thus, a potential growth opportunities in the Group's principal business, we consider that there are sound commercial and strategic reasons for the Acquisition and the Acquisition is in the interests of the Company and the Shareholders as a whole.

II. Principal terms of the Agreement

The Agreement

Pursuant to the Agreement, the Company has conditionally acquired from Mr. Li, his entire interests in Future Circle (whose sole asset is 30% interest in Ezcom Tech) for a consideration of HK\$30 million, which has been satisfied by the issue of the Promissory Note by the Company to Mr. Li.

Basis of the Consideration

The Directors have confirmed that the Consideration of HK\$30 million was arrived at after arm's length negotiations with reference to the performance and financial information of Ezcom Tech.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

As discussed earlier, Ezcom Tech has a proven track record and has been the Group's major revenue and profit driver. As set out in the section headed "Background of and reasons for entering into of the Agreement" under "Information on Ezcom Tech", the audited consolidated net profit of Ezcom Tech for the year ended 31st March, 2004 was approximately HK\$45.2 million. Taking into account the Company's acquisition of 10% equity interest of Ezcom Tech, the price-to-earnings ratio ("PER") of the Acquisition based on the Consideration of HK\$30 million and 10% equity interest of Ezcom Tech's audited net profit of approximately HK\$4.52 million would be approximately 6.6 times.

As reference and comparison, we have searched for companies whose principal businesses involve in trading of mobile phones and mobile phone-related electronic parts and components in the Asia Pacific region including the PRC, the shares of which are traded on the main board of the Stock Exchange (the "Main Board") and the Growth Enterprise Market operated by the Stock Exchange ("GEM") and found three companies from this criteria. Thus, for our analysis, we have made reference to these three companies, principally engaged in trading of mobile phones and mobile phone-related electronic parts and components in the Asia Pacific region including the PRC, the shares of which are traded on the Main Board and GEM (the "Comparables"). The PERs of the Comparables are calculated based on the latest audited results and the share prices quoted on the Stock Exchange on 7th September, 2004 (being the day of the Agreement). Brief details of the Comparables are set out as below:

Company name (Stock code)	Principal business	Earnings/(loss) per share HK\$	Share price on 7th September, 2004 HK\$	PER X
First Mobile Group Holdings Limited (8110)	Trading and distribution of mobile phones and related accessories in the Asia Pacific region including the PRC	0.028	0.212	7.6
Fortune Telecom Holdings Limited (110)	Distribution of mobile phones and related accessories in the PRC	0.105	0.62	5.9
Global Tech (Holdings) Limited (143)	Sale, marketing and distribution of mobile handsets and provision of after-sales services across the Greater China region	(0.022)	0.05 (share price as at 16th July, 2004, being the last day before suspension of trading)	N/A
Average				6.7

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

We note from the above table that the PER of the Acquisition was within the range of the PERs of the Comparables and below the average PER of the Comparables.

Taking into account that (i) the Consideration is based on the performance and financial information of Ezcom Tech; (ii) Ezcom Tech has a proven track record; and (iii) the PER of the Acquisition falls within the range and below the average PER of the Comparables, we are of the view that the Consideration is fair and reasonable insofar as the Shareholders are concerned.

The Promissory Note

The Promissory Note carries an interest rate of 1% per annum which is payable 6-month in arrears. The Promissory Note is of a term due for maturity on the second anniversary of its date of issue and is repayable on or (at the Company's discretion) any time before the Maturity Date.

For comparison purposes, we note that the interest rate of the Promissory Note is lower than the Hong Kong dollar prime rate of 5.125% as at the Latest Practicable Date. As the Promissory Note will carry an interest lower than prime, the Company will have saving in the interest payment when compared with debt financing from outside source.

In addition, for analysis purpose, we have reviewed the terms of all 4 promissory notes issued and announced by companies listed on the Main Board, as far as we are aware, from 1st January, 2004 to the Latest Practicable Date (the "PN Comparables"). By comparison with the PN Comparables, we note that the interest rate of the Promissory Note of 1% falls within the range and below the average interest rate of the PN Comparables of approximately 3.13%. Based on the above factors, we consider that the interest rate of the Promissory Note of 1% per annum is in the interests of the Company and the Shareholders as a whole.

As aforementioned, the Promissory Note is of a term which is due for maturity on the second anniversary of its issue date. The holder of the Promissory Note has no right to demand for early repayment. Accordingly, the Group would be relieved of any imminent cashflow pressure to redeem the principal amount of HK\$30 million until two years from the issue date of the Promissory Note, which we consider is in the interests of the Company and the Shareholders as a whole.

Having taken into account the above, we consider the terms of the Promissory Note and the Agreement are fair and reasonable insofar as the Shareholders are concerned.

III. Financial effects of the Acquisition

Effect on gearing ratio

As set out in the Annual Report, the Group's audited consolidated NAV as at 31st March, 2004 was approximately HK\$523.22 million. As referred to the Annual Report, total borrowings of the Group as at 31st March, 2004 was approximately HK\$58.83 million. Taking into account the Promissory Note after Completion, total borrowings of the Group would be increased to approximately HK\$88.83 million. The gearing ratio (total borrowings divided by NAV) of the Group before Completion and after Completion would be approximately 11.2% and 17.0%, respectively.

In assessing the fairness and reasonableness of the gearing ratio, we have made references to the gearing ratios of the Comparables (as the Comparables are in the same principal line of business of the Group). The gearing ratios of the Comparables ranged between approximately 0.6% and 112.0% and with an average of approximately 51.2%. Although there would be a slight increase in the Group's gearing ratio upon Completion from approximately 11.2% to 17.0%, the increase should not have a material adverse impact on the Group and we also note that it is below the average gearing ratio of the Comparables and falls within the range of the Comparables.

Effect on earnings

Before Completion, the Company, through its 100% equity interest in Select Right, and its two-thirds equity interest in Future Circle, is beneficially interested in 90% of Ezcom Tech. Upon Completion, Ezcom Tech would become the Company's wholly-owned subsidiary and would enable the Group to eliminate the minority interests attributable to Ezcom Tech in the Group's financial statements and consolidate 100% of Ezcom Tech's profits. The Promissory Note carries an interest rate of 1% per annum amounting to HK\$300,000 of interest expense payable 6 months in arrears annually before the Maturity Date. The Group reported net profit of approximately HK\$61.26 million for the period from 1st May, 2003 to 31st March, 2004 and Ezcom Tech reported net profit of approximately HK\$45.2 million for the year ended 31st March, 2004. As aforementioned above, Ezcom Tech has been the Group's major revenue and profit generator and the elimination of most of the Group's minority interests, which are attributable to the 10% interest in Ezcom Tech not owned by the Company, outweigh the interest expense. Therefore, we consider that the Group's financial performance will improve upon Completion assuming that Ezcom Tech will continue to generate similar profits in the coming years.

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

Effect on working capital

Taking into account that the Acquisition will be satisfied by way of the issuance of the Promissory Note, there will not be any immediate effect on the net cash flow position except for the annual payment of 1% interest payable in 6 months in arrears. The Directors are of the view that the payment of 1% interest per annum will not hinder the continuance of the Group's operations. As referred to the Annual Report, the Group's audited working capital as at 31st March, 2004 amounted to approximately HK\$234.42 million and the Directors are of the opinion that the Group will have sufficient working capital for its present requirements. Furthermore, the Directors do not anticipate any difficulty in re-financing for the payment of the Promissory Note if necessary upon its maturity.

Conclusion

Having taken into account the above mentioned financial effects of the Acquisition on the Group including the slight increase of the Group's gearing ratio upon Completion from approximately 11.2% to 17.0% which compares favourably against the average gearing ratio of the Comparables, we are of the opinion that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Shareholders regarding the Acquisition, we have taken into account all factors and reasons as set out above, in particular:

- Ezcom Tech has a sound track record;
- Ezcom Tech has been the Group's main revenue driver and it has the same focus line of business as the Group;
- the PER of the Acquisition (based on the Consideration and 10% equity interest of Ezcom Tech's audited net profit) of approximately 6.6 times falls within the range of the PERs of the Comparables and below the average PER of the Comparables;
- as the Promissory Note will carry an interest rate lower than prime, the Company will have saving in the interest payment when compared with debt financing from outside source and the Promissory Note's interest rate also falls within the range and below the average interest rate of the PN Comparables;

LETTER FROM KINGSTON CORPORATE FINANCE LIMITED

- although the Group's gearing ratio upon Completion would be increased from approximately 11.2% to 17.0%, the Group's gearing ratio upon Completion still compares favourably against the average gearing ratio of the Comparables and should not have a material adverse impact on the Group;
- the elimination of most of the Group's minority interests which are attributable to the 10% interest in Ezcom Tech not owned by the Company after taking into account the increase in interest expense generated from the Promissory Note will improve the Group's financial performance assuming Ezcom Tech will continue to generate similar profits in the coming years; and
- Ezcom Tech is already owned as to 90% effective interest and managed by the Company, the acquisition of the remaining 10% effective interest, turning Ezcom Tech into a wholly-owned subsidiary of the Group, would enable the Company to have 100% voting rights of Ezcom Tech upon Completion.

Having considered the above factors and reasons, we are of the opinion that the terms of the Agreement are fair and reasonable insofar as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we therefore advise the Independent Board Committee and the Shareholders to approve the Acquisition.

Yours faithfully,
For and on behalf of
Kingston Corporate Finance Limited
Graham Lam
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors of the Company

As at the Latest Practicable Date, the interests and short positions of Directors (including their spouses, minor children, related trusts and companies controlled by them) in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, were as follows:

The Company

Interests in Shares

Name of Director	Number of Shares held	%	Capacity
Kok Kin Hok	322,283,993	52.71	Corporate (<i>Note</i>)
Lian Song Qing	2,400,000	0.39	Personal

Note: These shares are owned by Angle Express Group Limited (“AEGL”) and All About Investments Limited (“All About”), companies incorporated in the British Virgin Islands whose entire issued share capital are beneficially owned by Mr. Kok Kin Hok.

Interests in Options

Name of Director	Number of Shares held (if the Options are exercised)	Date of grant	Exercise period	Exercise price per Share (HK\$)
Mr. Kok Kin Hok	2,500,000	27th October, 2003	27th October, 2003 to 26th October, 2008	HK\$0.306
	3,600,000	31st August, 2001	1st September, 2001 to 31st August, 2005	HK\$0.9936
	<u>6,100,000</u>			
Mr. Lam Bing Sum	3,700,000	27th October, 2003	27th October, 2003 to 26th October, 2008	HK\$0.306
	2,400,000	31st August, 2001	1st September, 2001 to 31st August, 2005	HK\$0.9936
	<u>6,100,000</u>			
Mr. Lian Song Qing	6,100,000	27th October, 2003	27th October, 2003 to 26th October, 2008	HK\$0.306

Associated Corporation

Interest in Ezze Mobile Tech., Inc. (in which the Company has a 33.98% indirect interest)

Name of Director	Number of ordinary shares held in the ordinary share capital of Ezze Mobile Tech, Inc.	Number of shares of Ezze Mobile Tech, Inc. held	%	Capacity
Mr. Kok Kin Hok		1,760,000 (note)	33.98%	1,760,000 (note)
Mr. Lam Bing Sum		352,000	6.80%	–

Note: These shares were held by a subsidiary of the Company. By virtue of his interests in the issued ordinary shares of the Company, Mr. Kok Kin Hok has a duty of disclosure under the SFO in relation to the said shares in Ezze Mobile.

The above are all long positions of the relevant Director, in the associated corporation.

Save as disclosed above, as at the Latest Practicable Date none of the Directors and chief executives (including their spouses, minor children, related trusts and companies controlled by them) had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director is taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

(ii) Substantial Shareholder

As at the Latest Practicable Date, so far is known to the Directors and chief executives, the following was the only person (other than a Director) that had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or in any options in respect of such capital:

Name of Shareholder	Number of Shares held	%	Capacity
All About <i>(note)</i>	287,544,153	47.03	Corporate
AEGL <i>(note)</i>	34,739,840	5.68	Corporate

Note: Mr. Kok Kin Hok is a director of and the ultimate beneficial owner of both All About and AEGL. He is deemed under the SFO to be interested in the Shares interested by All About and AEGL.

Unless otherwise specified, the above are all long positions of the relevant persons in the Company Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executives, no person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value if any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options in respect of such capital.

3. COMPETITION

At the Latest Practicable Date, Mr. Hou Ziqiang (“Mr. Hou”) and Mr. Kok Kin Hok, directors of the Company were also the chairman and the managing director respectively of China Kejian Corporation (“Kejian”). Kejian is a company incorporated in the PRC and engaged in manufacture and sales of mid-to-low end mobile phones under its own brand name “Kejian” in the PRC targeting at general customers on a national basis. The Group’s business includes the distribution of certain models of high-end Samsung mobile phones made in South Korea on an exclusive basis in the PRC targeting at customers of high income mainly in major cities like Beijing, Shanghai, Guangzhou, etc.. As the market for the mobile phone products of the Group and Kejian is the same, there may be indirect competition between the Group and Kejian.

Whilst there may from time to time be occasions on which the interests of the Company conflict with those of Kejian, both companies are under different management (except for Mr. Kok’s and Mr. Hou’s common directorship in both companies) and have adopted corporate governance standards to resolve any conflicts, such as that directors of both companies are not allowed to vote in board meetings on transactions in which a director has a material interest. For example, by virtue of his controlling shareholding interests in the Company, Mr. Kok will not be allowed to vote in board meetings of both companies on the relevant resolution for transactions between Kejian and the Company or matters involving competing interests between the two companies. To maintain good corporate governance standard, Mr. Hou has also abstained from voting in the board meetings of both companies on such matters. Mr. Kok Kin Hok and Mr. Hou Ziqiang are conscious of their duties and obligations to each company including the requirement that in their capacity as a director of a particular company they must take into account only the interests of that company.

4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with any member of the Group which is not expiring or, terminable by the Company within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was a party to any legal proceedings or, claim which are of material importance. The Directors do not know of any legal proceedings or claims pending or threatened against the Company or any other member of the Group.

6. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st March, 2004, the date to which the latest published audited financial statements of the Group were made up.

7. CONSENTS

As at the Latest Practicable Date, Kingston Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

8. EXPERT

- (a) Kingston Corporate Finance Limited is a corporation licensed to carry out Type 6 regulated activity for the purpose of the SFO.
- (b) As at the Latest Practicable Date, Kingston Corporate Finance Limited did not have any direct or indirect shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company.
- (c) As at the Latest Practicable Date, Kingston Corporate Finance Limited did not have direct or indirect interests in any assets which had since 31st March, 2004 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed by, or leased to, any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by the Company or its subsidiaries within the two years preceding the date of this circular and are or may be material:

- (a) the share sale and purchase agreement dated 18th September, 2002 and the supplemental agreement dated 20th September, 2002 made between the Company as the purchaser and Mr. Kok as the vendor in respect of the acquisition of the entire share capital of Global Direction Limited at a consideration of HK\$88,000,000;
- (b) the underwriting agreement dated 29th January, 2003 made between the Company and All About Investments Limited, which is wholly-owned by Mr. Kok, in respect of the underwriting of some offer shares under an open offer by the Company at nil underwriting commission;
- (c) the supplemental agreement dated 21st May, 2003 made between the Company and Mr. Li to amend and supplement an option agreement dated 4th February, 2002 entered into between the Company and Mr. Li in relation to the grant of an option to the Company to purchase Mr. Li's remaining one share in Future Circle at a consideration of HK\$40,695,297, which has expired; and
- (d) the Agreement.

10. GENERAL

- A. The secretary of the Company is Mr. Cheung Kwok Yu. He is a Chartered Financial Analyst and a fellow member of the Association of Chartered Certified Accountants.
- B. The qualified accountant of the Company is Ms. Lam Yuen Hing. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- C. The Hong Kong branch of the share registrars is Abacus Share Registrars Limited, located at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong where the share transfer office is also located.
- D. Save for Mr. Kok's indirect interest in Ezcom Tech and subsidiaries of the Company through his shareholdings in the Company:
 - (i) since 31st March, 2004, the date to which the latest published audited accounts of the Group were made up, none of the Directors has or has had any interest, either directly or indirectly, in any assets which have been acquired by, disposed of or, leased to or, which are proposed to be acquired by, disposed of or leased to the company or any of its subsidiaries; and
 - (ii) no Director is materially interested in any contract or arrangement subsisting at the date of the circular which is significant in relation to the business of the Group.
- E. The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except public holidays) at the office of the Company at Unit 1C & 1D, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong, from the date of the circular up to and including 13th October, 2004:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the financial year ended 31st March, 2004;
- (iii) all material contracts referred to in the paragraph headed "Material Contracts" in this Appendix including the Agreement;

- (iv) all circulars issued by the Company since the date of the latest published audited accounts;
- (v) the letter from Kingston Corporate Finance Limited as set out on pages 10 to 20 of this circular;
- (vi) the written consent from Kingston Corporate Finance Limited referred to in paragraph 6 of this Appendix;
- (vii) the letter from the Independent Board Committee as set out on page 9 of this circular; and
- (viii) this circular.

12. PROCEDURE TO DEMAND POLL

In accordance with bye-law 66 of the bye-laws of the Company, a poll may be demanded in a general meeting:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.