



EZCOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 312)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

INTERIM RESULTS

The directors (the “Directors”) of Ezcom Holdings Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 together with comparative figures for the six months ended 31 October 2003, as follows:–

		Unaudited	
		Six months ended	
		30 September	31 October
		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	623,586	1,506,945
Cost of sales		(605,619)	(1,445,787)
Gross profit		17,967	61,158
Other operating income		2,153	1,181
Distribution costs		(8,916)	(10,506)
Administrative expenses		(11,606)	(11,867)
Amortization of goodwill		(15,575)	(15,490)
(Loss) profit from operations	2, 3	(15,977)	24,476
Finance costs		(6,464)	(2,264)
Share of results of associates		(26)	1,948
(Loss) profit before taxation		(22,467)	24,160
Taxation	4	(232)	(8,327)
(Loss) profit before minority interests		(22,699)	15,833
Minority interests		1,532	(1,027)
(Loss) profit for the period		(21,167)	14,806
(Loss)/earnings per share – Basic	5	(3.20) cents	2.54 cents

Notes:

(1) Basis of preparation and accounting policies

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

During the period from 1 May 2003 to 31 March 2004, the Company changed its financial year end date from 30 April to 31 March. Therefore, the comparative amounts shown for the consolidated income statement and related notes cover a six-month period from 1 May 2003 to 31 October 2003.

The condensed financial statements have been prepared under the historical cost convention and have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s audited financial statements for the period from 1 May 2003 to 31 March 2004.

(2) Segmental information

The Group is principally engaged in the trading of mobile phones, parts and components. An analysis of the Group’s turnover and results for the period is as follows:

Geographical segments

The Group’s operations and assets are located in Hong Kong and elsewhere in the People’s Republic of China (the “PRC”).

Segment information of the Group by location of customers is presented below:

	Turnover		Contribution to (loss) profit from operations	
	Six months ended		Six months ended	
	30 September 2004 HK\$’000	31 October 2003 HK\$’000	30 September 2004 HK\$’000	31 October 2003 HK\$’000
Hong Kong	248,766	11,361	2,381	293
The PRC	350,691	1,495,584	3,356	38,603
Others	24,129	–	231	–
	623,586	1,506,945	5,968	38,896
Amortisation of goodwill			(15,575)	(15,490)
Interest income			460	1,070
Unallocated corporate expenses			(6,830)	–
(Loss) profit from operations			(15,977)	24,476

Business segments

The Group is principally engaged in the trading of mobile phones and spare parts. No business segment analysis is presented for the current period as management consider the Group operates in one single business segment.

(3) **Profit from operations**

Profit from operations has been arrived at after charging/(crediting):

	Unaudited	
	Six months ended	
	30 September	31 October
	2004	2003
	HK\$'000	HK\$'000
Amortisation of Goodwill	15,575	15,490
Depreciation on fixed assets	347	347
Exchange loss/(gain), net	457	(694)
Interest income	(460)	(1,070)
	_____	_____

(4) **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period (2003: 17.5%). No provision for PRC income tax is made as the PRC subsidiaries of the Company have no assessable profit for the period (2003: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rate of taxation prevailing in the country in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended	
	30 September	31 October
	2004	2003
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– Current period	850	5,556
– (Over) under provision in respect of prior periods	(324)	2,641
	_____	_____
	526	8,197
Deferred tax credit for the period	–	(255)
	_____	_____
Taxation attributable to the Company and its subsidiaries	526	7,942
Share of taxation of associates	(294)	385
	_____	_____
	232	8,327
	_____	_____

(5) (Loss) earning per share

The calculation of the basis (loss) earning per share is based on the loss for the period of approximately HK\$21,167,000 (six months ended 31 October 2003: profit of approximately HK\$14,806,000) and the weighted average number of 611,467,218 (six months ended 31 October 2003: 582,090,206) shares.

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

BUSINESS REVIEW

The Group's consolidated turnover for the six months ended 30 September 2004 was approximately HK\$624 million (2003: HK\$1,507 million). The turnover in the Group's mobile business has decreased by approximately 58.6% which was due to the stiff competition of the mobile phone market in the PRC and also drop in the business of supplying parts and components of mobile phones.

The Group's loss before taxation for the six months ended 30 September 2004 was approximately HK\$22.47 million (profit for six months ended 31 October 2003: HK\$24.16 million). Loss per share amounted to HK\$3.20 cents (profit per share for six months ended 31 October 2003: HK\$2.54 cents).

During the period under review, feature-rich models with colour display came onto the market 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 models with colour screens, camera and multimedia capability.

The Group's distribution network of mobile handsets in China covers 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 the six months under review. In addition, we have maintained excellent relationship with our main supplier Samsung, the world's second largest manufacturer of mobile phones.

The period under review also marked the initial rollout of our products outside China. Since May 2004 Ezcom has already been successfully distributing few models of Kejian brand mobile phones in India to pave the way for our growth in other developing countries.

The Group continued to be able to sustain its sound financial position. At 30 September 2004, the Group's total cash on hand and total bank borrowings aggregated to HK\$49 million and HK\$48 million (31 March 2004: HK\$81 million and HK\$59 million) respectively, in which bank borrowings amounted

to HK\$45 million (31 March 2004: HK\$112 million) were repayable within one year from 30 September 2004. The bank borrowings were secured by bank deposits of HK\$66 million (31 March 2004: HK\$75 million) and legal charges on the properties of the Group with an aggregate net book value of HK\$13 million (31 March 2004: HK\$13 million).

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 no material contingent liabilities in respect of bills of exchange discounted with recourse as at 30 September 2004 (31 March 2004: HK\$189 million).

Shareholders' funds were maintained at a level of HK\$502 million and the gearing ratio as measured by total bank borrowings to shareholders' funds was 9.6% as at 30 September 2004.

PROSPECTS

The Management will keep their eyes on business opportunities in 3G handsets since it may be a business focus of the Group after the completion of construction of 3G networks and debut of 3G services by carriers in the PRC.

In view of the continuing growth of the consumer market in China, coupled with the popularity of Samsung mobile phones in the PRC, the Management remains optimistic about the operating results of the second half of the financial year.

The Management will continue to strengthen its existing market coverage by expanding its distribution networks especially that Hong Kong and foreign companies are now allowed to directly invest in the sector of distribution of consumer digital products in the PRC.

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

EMPLOYEES

As at 30 September 2004, the Group had approximately 30 staff in Hong Kong and had approximately 40 employees in Mainland China. The staff costs, which included salaries, allowance and other benefits in kind amounted to approximately HK\$7,121,000 (2003: HK\$7,217,000). The Group's remuneration policies, discretionary bonus programme and share option

scheme for employees are carried out in accordance with the performance of the Group and of individual employees. The Group also provides training, job rotation, insurance and medical benefits to staff. The Group's remuneration policies are revised on a regular basis and remuneration packages are in line with market practices. During the six months period under review, no options have been offered and/or granted to its employees under the new share option scheme adopted on 13 March 2002.

INTERIM DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 30 September 2004 (2003: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months period ended 30 September 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

This interim report has been reviewed by the Audit Committee of the Board which comprises two Independent Non-Executive Directors.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Independent Non-Executive Directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

PUBLICATION OF INTERIM RESULTS IN THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Kok Kin Hok
Chairman

Hong Kong, 29 December 2004

As at the date of this announcement, the Board comprised Mr. Kok Kin Hok, Mr. Lam Bing Sum and Mr. Lian Song Qing, being executive directors, Mr. Li Jianhua, Mr. Wu Tak Lung and Mr. Chu Po Tien being independent non-executive directors.

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