

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



*mastering*



*the mobile*

*arena*



## Characteristics of Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

### 香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）之特色

創業板乃為帶有高投資風險的公司提供一個上市的市場。尤其在創業板上市的公司毋須有過往溢利紀錄，亦毋須預測未來溢利。此外，在創業板上市的公司可因其新興性質及該等公司經營業務的行業或國家而帶有風險。有意投資的人士應了解投資於該等公司的潛在風險，並應經過審慎周詳的考慮後方作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市公司新興的性質使然，在創業板買賣的證券可能會較於主板買賣的證券承受較大的市場波動風險，同時無法保證在創業板買賣的證券會有高流通量的市場。

創業板發佈資料的主要方法為透過聯交所操作的互聯網網頁刊登，上市公司一般毋須在憲報指定的報章刊登付款公佈。因此，有意投資的人士應注意彼等須瀏覽創業板網頁，以便取得創業板上市發行人的最新資料。

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*Mobility, a  
Way of Life,  
by First  
Mobile*

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We contribute to the entire value chain, from manufacturers through to dealers and end-users



# > Corporate Mission and Profile

## Mission

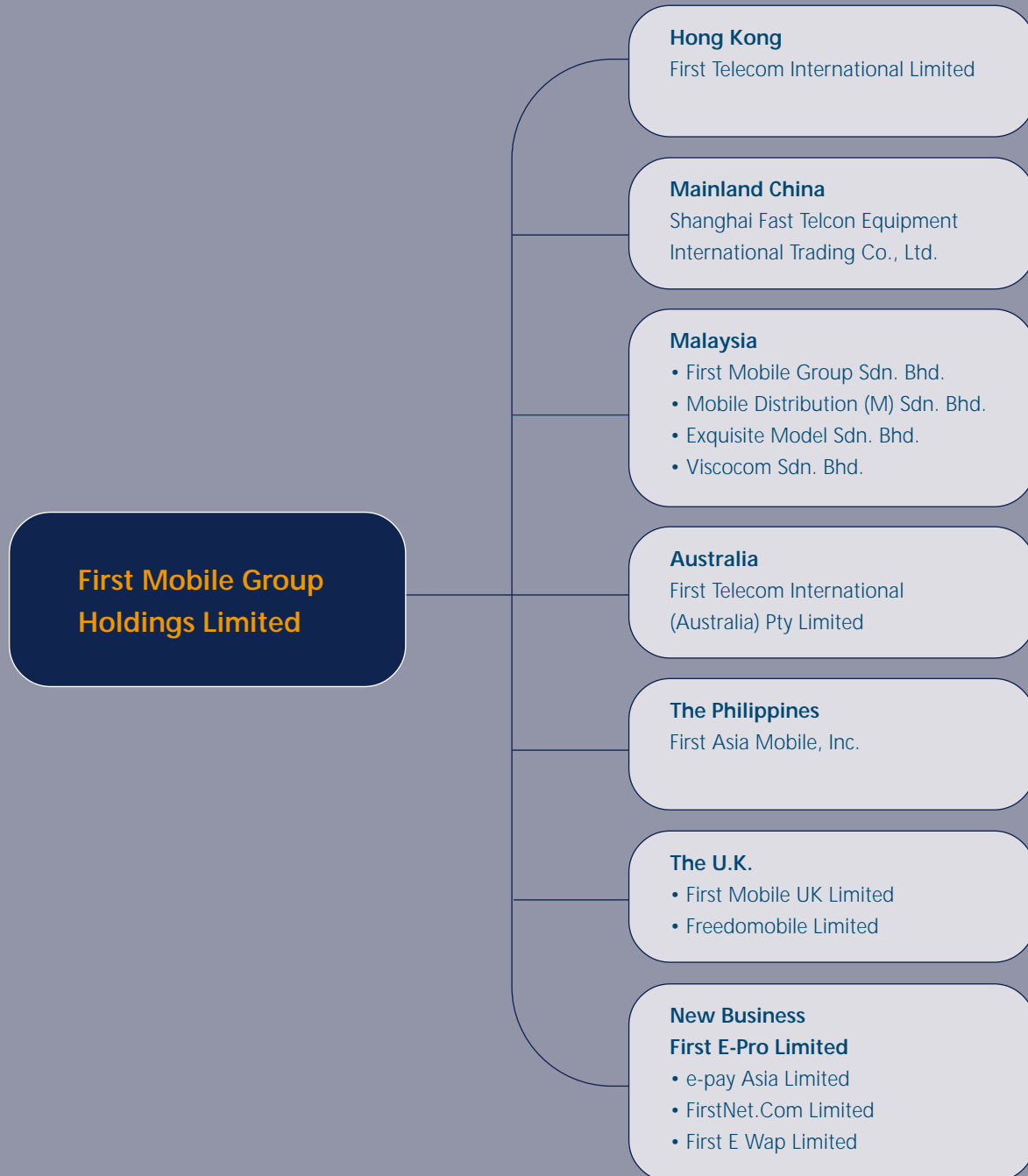
Our corporate mission is to become one of the top distributors of mobile communication products, services and related accessories in the Asia Pacific region

## Profile

First Mobile Group Holdings Limited ("First Mobile" or the "Group") is principally engaged in distribution of a wide variety of brands of mobile phones and related accessories in the Asia Pacific region. First Mobile markets to customers via its distribution network in Hong Kong, Mainland China, Malaysia, the Philippines, Australia and the United Kingdom ("the U.K."). At present, the Group focuses on marketing those new and upcoming brands of mobile phone for which it has obtained either exclusive or non-exclusive rights, including selected models of Siemens, Samsung, Alcatel, Kyocera, Sagem and Philips.

First Mobile is a real value-added distributor. We offer many value-added services including distribution of mobile products to various channels, provision of marketing and promotional services for manufacturers and dealers as well as after-sales service for end-users.

# > Major Operating Companies



## Executive Directors

Ng Kok Hong

Ng Kok Tai

Ng Kok Yang

## Independent non-executive Directors

Sze Tsai To Robert

Wu Wai Chung Michael

Chong Yulin Derrick

## Audit Committee

Sze Tsai To Robert (*Chairman*)

Wu Wai Chung Michael

Ng Kok Hong

## Compliance Officer

Ng Kok Hong

## Company Secretary & Qualified Accountant

Chan Kwok Keung

## Registered Office

Ugland House

South Church Street

P.O. Box 309, George Town

Grand Cayman

Cayman Islands

## Head Office and Principal Place of Business

Suite 1919-1923, 19th Floor, Grandtech Centre

8 On Ping Street

Shatin, New Territories, Hong Kong

## Company Website

[www.firstmobile.com](http://www.firstmobile.com)

## Auditors

PricewaterhouseCoopers

## Legal Adviser as to Hong Kong Law

Woo, Kwan, Lee & Lo

## Principal Bankers

Bumiputra-Commerce Bank Berhad

The Kwangtung Provincial Bank

## Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Ltd.

Butterfield House, Fort Street

P.O. Box 705, George Town

Grand Cayman

Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Abacus Share Registrars Limited

2401, Prince's Building

10 Chater Road

Central

Hong Kong

# > Corporate Events — Year 2000

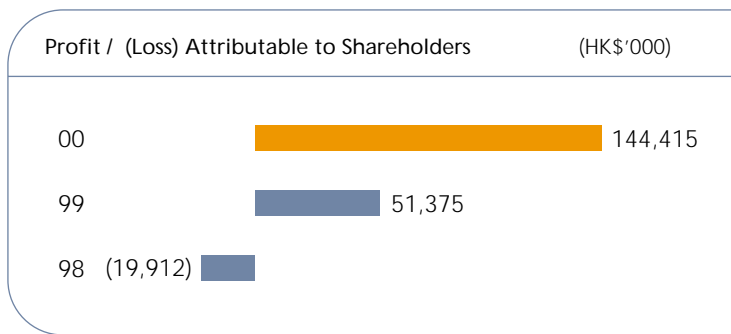
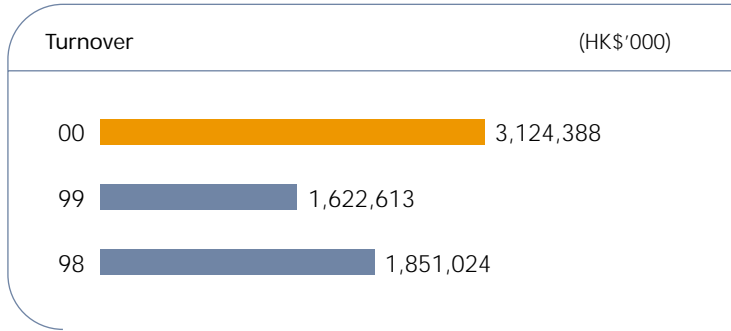
This has been a very satisfying year in terms of events significant to the Group. We established a joint venture company to launch an e-pay service in seven regions and started distributing new mobile phone models. These achievements have all added to our thriving business.

<b>January</b>	Entered into an exclusive agreement with Kyocera for distribution of TG200 in Mainland China and Hong Kong, with non-exclusive agreement for Malaysia, Singapore and the Philippines
<b>March</b>	Signed a regional partnership agreement with Siemens to distribute Siemens mobile phones in the Asia Pacific region
<b>April</b>	Launch of Kyocera TG200 in Mainland China, Hong Kong, Malaysia and the Philippines
<b>May</b>	Signed an agreement with WAPworkz for provision of WAP related products and services outside Singapore
<b>July</b>	Established a joint venture company, e-pay Asia Limited, with e-pay Limited to launch the e-pay service in Mainland China, Hong Kong, Taiwan, Singapore, the Philippines, Japan and Korea  Began operation of "First Asia Mobile, Inc." in the Philippines
<b>August</b>	Signed a distribution agreement with LG for distribution of its selected GSM models in Mainland China, Hong Kong and Macau
<b>September</b>	Launched a telemarketing Contact Centre through Freedomobile Limited in Leeds, the U.K.  First Telecom International (Australia) Pty Limited was incorporated to facilitate expansion in 2001
<b>October</b>	Samsung was established as one of the top 3 brands in Malaysia
<b>December</b>	Began exclusive distribution of Siemens 6688 in Mainland China  Listing on GEM (stock code: 8110) of the Exchange on 29th December, 2000

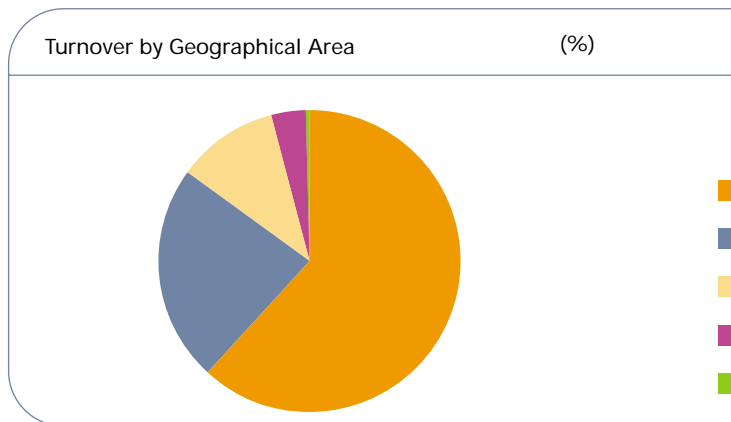


# > Financial Highlights

## For the years ended 31st December



## For the year ended 31st December, 2000



## *Higher Returns from Successful Business Strategies*



*Our first year of operation as a listed company has been productive and I am very pleased with the performance of the Group and of our dedicated staff.*



## **Overview**

It gives me great pleasure to announce the first annual results of First Mobile since our listing on the GEM of the Exchange. Our first year of operation as a listed company has been productive and successful. I am very pleased with the performance of the Group and of our dedicated staff.

## **Results**

Turnover for the period under review increased to HK\$3,124.4 million, which is a 92.6% increase compared to the previous financial year of 1999. Our sales volume also showed substantial growth. We sold approximately 2.2 million mobile phones, an increase of more than 1.4 times over 1999. A major contributor

to this substantial improvement was a steady increase in the number of distribution rights secured and the range of models for sale.

During the year, First Mobile also demonstrated impressive growth in profitability. Profit attributable to shareholders grew by 1.8 times, from HK\$51.4 million in 1999 to HK\$144.4 million in 2000. Earnings per share also recorded 1.8 times growth, reaching HK 9.9 cents. The increase was primarily due to higher returns from our successful business strategies. The overall profit margin improved from 7.2% to 9.2%.



Operating expenses remained at HK\$97.8 million and the Group recorded a profit before taxation of HK\$182.0 million, which was 2.1 times more than 1999.

### ***Business***

We continue to place our business focus on mobile phone distribution and maintain our leading position in the mobile phone arena, thanks in part to our growing range of new and upcoming brands. Our core business flourishes in a competitive but expanding market, and the business of telecommunications and mobile phone distribution remains very solid.

Many events contributed to our successful course of business, but the year was marked by two significant milestones.

In July, we entered the pre-pay mobile airtime distribution business with a 70% interest in a joint venture called e-pay Asia Limited, launching an e-pay service in seven regions. This electronic distribution of pre-pay mobile airtime brings a new distribution model with lower costs and increased efficiency to the market. This business model also brings economic advantages to the Group as well as synergy with our mobile phone distribution businesses. In addition to the business synergies, e-pay service also complements our corporate strategy on retail management.

On 29th December, 2000, we gained a listing on the Exchange. I would like to bid welcome to our new shareholders and thank them for their support. We will continue to plan well and work hard to build value for your investment.

### ***Partnership***

If one word could characterise our success during the past year, it would be partnership. Notable events included signing significant agreements with Siemens, Samsung, Kyocera and WAPworkz.

We live in a time of growth, and our strategy for the future is straightforward. We will continue to strengthen our core business in order to maintain our leading position in the mobile communications industry in the Asia Pacific region. We will actively seek additional businesses which are synergistic with our mobile business and which will advance our corporate objectives. We will continue to foster strong relationships with our customers, suppliers and business partners, which can enhance the Group's business to our mutual benefit.

In summary, the year in review has been healthy and rewarding, and the year ahead holds great promise. Looking forward, the prospects are very encouraging for the long-term future as well.

### ***Appreciation***

On behalf of the board of directors, I would like to express my gratitude to our shareholders and business partners for their continued support of the Group.

I am grateful to our visionary management team and to our skilled and dedicated staff, who have contributed immeasurably to our success. Only with their effective teamwork can we benefit fully from our external partnerships and strategic alliances.

**Ng Kok Hong**

*Executive Chairman*

Hong Kong, 19th March, 2001

# *A Focus on the Fastest-Growing Markets*



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We will continue to strengthen our core business in order to maintain our leading position in the mobile communications industry

# > Business Model and Philosophy

*Our extensive sales and distribution network enables us to reach these growing markets, and our ability to provide the widest selection of products places us at the forefront of the sales arena.*

First Mobile continues to focus on the fast-growing, emerging markets in Asia Pacific. The mobile phone business is growing at an unprecedented rate in this region and the demand for top quality products with excellent back-up support is increasing as customer awareness reaches new heights. Our extensive sales and distribution network enables us to reach these growing markets, and our ability to provide the widest selection of products places us at the forefront of the sales arena.

We have negotiated an extensive list of distribution rights for premium and upcoming brands and can provide our customers with the highest quality and the widest variety of products available on the market today.

This enviable achievement can be attributed to our experienced management team and skilled and dedicated staff, who together ensure that our aim to become the leading mobile communication products distributor can be reached.

## Market and Industry Overview

The telecom and mobile phone industry in Asia Pacific has continued to show great promise during the past year. When compared to North America and Europe, we see a vibrant market with many new business opportunities. In particular, the relatively low mobile penetration rate in Asia Pacific indicates great prospects for tremendous growth in the coming years.

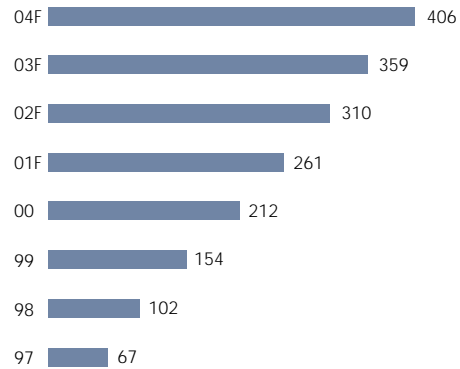
### General Environment of Worldwide

#### Telecom Market

The mobile markets in Europe and North America are approaching saturation. The number of new mobile users will stabilise in the next few years. In contrast, Asia Pacific markets will continue to show strong growth in coming years. At First Mobile, we are well prepared for both the challenges and the opportunities, and are confident that we can continue to capitalise on Asia Pacific development. At the same time, we are poised to move into the European market through our operation in the U.K.

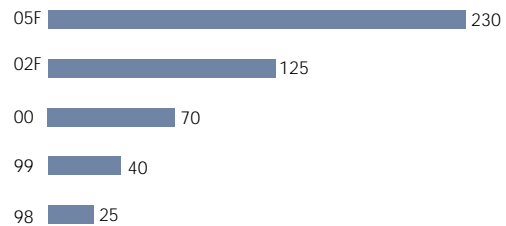
## Market Conditions in Asia Pacific Region

Growth of Subscribers - Asia Pacific region (in millions)



Source: EMC Data Base - November 2000

Growth of Subscribers - Mainland China (in millions)



Source : Asia News

- October 2000



In addition to the tremendous growth of new subscribers in Asia Pacific, we also see a substantial growth generated by the convergence of voice, data and entertainment products and services. Operators will continue to introduce attractive features and services using new technologies such as WAP, GPRS and 3G. The desire of existing mobile phone users to upgrade their phones periodically is further fuelled by operators offering more and more convergent services.

While the post-pay subscriber segment contributes the biggest growth in this region, the pre-pay market began to bloom in several countries in the Asia Pacific region in 2000, notably Mainland China, Hong Kong, the Philippines, Malaysia and Taiwan. This augurs well for the e-pay service offered through e-pay Asia Limited.

The business environment is expected to receive a significant boost from Mainland China's accession to the WTO in the latter part of 2001. Lower tariffs and the sheer size of the domestic market in Mainland China will attract and encourage even more foreign manufacturers to produce their mobile phones there. A large array of products will be available from both foreign and domestic vendors, further intensifying the already keen competition. Selling-through of products will rely more on the marketing pushes and pulls at the channel and consumer levels. This is where real value-added distributors, which provide complete sell-in and sell-through services, will have more options and opportunities.

***Asia Pacific markets will continue to show strong growth in coming years. At First Mobile, we are well prepared for both the challenges and the opportunities, and are confident that we can continue to capitalise on Asia Pacific development.***

## Mobile Phone Distribution

Distribution Rights for Various Models

	Model	Hong Kong	Mainland China	Malaysia	The Philippines	Australia
<b>Siemens</b>	6688	non-exclusive	exclusive	sole/non-exclusive		
	1118	non-exclusive	non-exclusive	sole/non-exclusive		
	3508i / C35i	non-exclusive		non-exclusive		non-exclusive
	S / C2588	non-exclusive	non-exclusive	non-exclusive		non-exclusive
	C28			non-exclusive		
	M35 / 3518i		non-exclusive	non-exclusive	non-exclusive	non-exclusive
	3568i / S35	non-exclusive	non-exclusive	non-exclusive		non-exclusive
<b>Samsung</b>	SGH-600 / 800 / 2400, A100			exclusive		
<b>Kyocera</b>	TG200	exclusive	exclusive	non-exclusive	non-exclusive	
<b>Sagem</b>	MC 930 / 920 / 912			non-exclusive		
<b>Philips</b>	898 / 939			non-exclusive		

As at 31st December, 2000

***The core business of First Mobile is mobile phone distribution. It remains the major profit contributor for the Group and enjoys a wide customer base comprised of over 350 operators, dealers, wholesalers and retailers located mainly in Asia Pacific and Europe.***

# Total Value Chain of Mobile Phone Distribution Services



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We proactively seek  
business opportunities  
which strengthen our  
distribution network



The core business of First Mobile is mobile phone distribution. It remains the major profit contributor for the company and enjoys a wide customer base, comprised of 350 operators, dealers, wholesalers and retailers located mainly in Asia Pacific and Europe. Brands for distribution and sale are carefully selected to ensure market acceptance, and the focus is currently on up and coming brands such as Siemens and Samsung, which are already seeing wide acceptance among our customers in various markets in which we operate.

### ***Marketing***

One of the major strengths of First Mobile is its forward thinking marketing team. This strategic task force continually seeks ways to enhance the Group's performance by establishing a good corporate image for the Group, focusing on brand building, developing and refining local market strategies and spearheading sales promotion campaigns for manufacturers. Up and coming mobile phone manufacturers are pleased to work with us because we can introduce their brands and products to a wide coverage of Asia Pacific markets in a very short time frame.

### ***After-Sales Service***

As a real value-added distributor, we have the ability to launch new brands in new markets and to build customer relationships through the provision of a full range of quality after-sales service built on our extensive after-sales service network. Currently, we operate eight service centres in Asia Pacific. Through these centres, we are able to satisfy customer needs and build brand loyalty.

### ***Direct Sales***

In addition to our extensive distribution network, the Group is also exploring opportunities in the lucrative direct sales market segment. Direct sales are promoted by our Contact Centre and through corporate sales efforts. The Contact Centre in the U.K. was launched in September 2000, opening up a channel directly to consumers. It is supported by a website, [www.letstalkmobile.co.uk](http://www.letstalkmobile.co.uk) and is growing dynamically.

A Corporate Marketing Department was set up in Malaysia in July 2000 as an additional channel for bringing in sales revenue. In 2000, working very closely with network operators, we successfully launched tie-in programmes and co-branding activities with various banks, corporate entities and cooperatives. Additionally, we are involved in migration programmes and staff mobile phone subsidy programmes initiated by network operators. We see much potential for corporate marketing in Malaysia, with many opportunities available in the market. We will continue to develop attractive programmes to generate new revenue.

#### ***e-pay Service***

In July 2000, the Group established e-pay Asia Limited. This is a joint venture with e-pay Limited, a U.K. company with proven technology, a business model and experience in providing an electronic solution for distribution of pre-pay mobile airtime, removing the need for mobile service operators to print and distribute physical vouchers. This innovative, efficient and secure solution opened up another revenue stream for the Group.

# > Comparison of Business Objectives with Actual Business Progress

## Business objectives

### *In respect of mobile phone distribution business:*

- Target to achieve half-yearly mobile phone sales to approximately 1.4 million sets
- Launch 3 new models of mobile phones of various brands
- To identify mobile phone distribution opportunity in Australia
- Establishment of a new regional office in Australia
- Recruitment of 5 additional staff to support development in Australia

### *In respect of e-pay Asia Limited:*

- Seek suppliers for production of e-pay Terminals
- Set up offices in Singapore and the Philippines
- Seek strategic partnerships with network operators in Hong Kong, the Philippines and Singapore for adoption of e-pay Terminals developed by the Group

## Actual business progress

- Approximately 1.5 million sets of mobile phones were sold in the second half of 2000.
- 3 new models, namely Samsung A100, and Siemens 6688 and 1118, were distributed by the Group.
- Management visits to Australia and various discussions with local operators and distributors were conducted.
- First Telecom International (Australia) Pty Limited ("FTI-Australia") was incorporated in September 2000 to facilitate expansion in 2001.
- Headhunt process commenced in the second half of 2000.
- General Manager of FTI-Australia was recruited in February 2001.
- A leading manufacturer has been identified as supplier of e-pay Terminals in Asia.
- Delivery of first batch of 200 e-pay Terminals is expected in April / May 2001 for the rollout in the Philippines.
- A subsidiary ("e-pay Philippines") was incorporated in the Philippines in February 2001 to carry out e-pay business.
- Business plan for e-pay service in the Philippines was prepared. Various discussions with operators in Hong Kong, Singapore and the Philippines were carried out.
- e-pay Philippines has been undergoing accrediting process by two major operators in the Philippines since February 2001.

## Business objectives

### *In respect of FirstNet.Com Limited:*

- Negotiate with website owners in the PRC to provide technical assistance
- Provide advice to website owners on set up and design of contents
- Recruitment of 2 staff responsible for planning and developing business alliances with website owners

## Actual business progress

- Discussions with our target partner still continue. No agreement has been reached due to rapid change in the e-business environment.
- Continue to look for opportunity to provide technical assistance to other websites in the PRC.
- A more cautious approach has been taken towards expansion of FirstNet.Com Limited. Accordingly, recruitment of new staff has been put on hold.

# *Growing in the Vibrant Asia Pacific Market*

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We see a vibrant market in Asia, with many new business opportunities

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*We will continue to expand into new markets and extend our distribution network throughout Asia Pacific and Europe, with a new focus on Australia.*

The Group enjoyed a very successful year in 2000, we anticipate another year of high growth with a double-digit growth rate of mobile penetration and a significant increase in pre-pay usage.

We will continue to expand into new markets and extend our distribution network throughout Asia Pacific and Europe, with a new focus on Australia. We anticipate more corporate and direct sales in Malaysia, and are seeking new and different channels for local distribution in other markets. An expansion of the Contact Centre in the U.K. is part of our blueprint for the future and we plan to establish a similar service in Asia. This will enhance both regional presence and local market reach.

## Mobile Phone Distribution

It is our goal to acquire more distribution rights from up and coming mobile phone manufacturers. We plan to secure additional new brands in the coming year, in order to capitalise on the organic growth in the telecom industry. First Mobile will seek more exclusive and/or non-exclusive distribution rights to broaden the Group's product mix, thereby enhancing overall profitability. In the first quarter of 2001, we secured distribution rights in some Asian countries from Alcatel, which is one of the most popular European brands. We strongly believe this will be a win-win partnership.

Retail management is another area of focus. Alliances with retail chains and our own retail promotion programs are key vehicles to securing a strong foothold in the retail sector.

To be one of the top mobile phone distributors in Asia Pacific, we are also proactively seeking business opportunities in Australia to further enhance our distribution network .

*An expansion of the Contact Centre in the U.K. is in our blueprint, as well as a plan to establish a similar service in Asia.*



## **e-pay in Asia**

Discussions are currently underway with operators in the Philippines, Hong Kong, Mainland China and Singapore.

### ***The Philippines***

The Philippines is one of the largest pre-pay mobile markets in Asia. Almost 90% of subscribers are on a pre-pay basis. e-pay Asia Limited is working very closely with a few operators, and the service will be launched in the second quarter of 2001. Entering the Philippines market is a very significant step to e-pay Asia Limited.

### ***Hong Kong***

According to the Office of the Telecommunications Authority (OFTA), about 20% of total subscribers were pre-pay users in 2000, compared to 8.5% in 1999. Growth in pre-pay subscribers from 1999 to 2000 is around 2 times. We see a substantial market potential in Hong Kong, and discussions are underway with key mobile operators.

### ***Mainland China***

Of the 60 million-plus subscribers to China Mobile in November 2000, 20% were pre-pay users. According to Credit Suisse First Boston, in January 2001, 80-90% of China Mobile's new subscribers were pre-pay which indicates Mainland China is one of the largest pre-pay markets in Asia. We foresee a substantial increase of pre-pay users in the coming year, as part of a nationwide trend.

### ***Long-term strategy***

Our long-term strategy for e-pay service is to build it into a standalone business but at the same time sharing the synergies with our core business and maximising the commercial opportunities in common markets.

# Increased Efficiency through Electronic Payment Solution

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This innovative, efficient and secure pre-pay solution opens up another revenue stream for the Group

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# > Biographical Details of Directors and Senior Management

## DIRECTORS

### *Executive Directors*

**Mr. NG Kok Hong**, aged 37, Executive Chairman of the Group. Mr. Ng is actively involved in the corporate planning and operation of the Group. Since he co-founded a company with Mr. Ng Kok Tai to do mobile phone distribution in Malaysia in 1989 until present, Mr. Ng Kok Hong has been actively involved in the mobile phone industry. By 1999, the Group's operation has expanded to Hong Kong, the U.K., Mainland China and the Philippines.

**Mr. NG Kok Tai**, aged 40, Executive Deputy Chairman of the Group. He is also the President and Director of First Mobile Group Sdn. Bhd., Mobile Distribution (M) Sdn. Bhd., Exquisite Model Sdn. Bhd. as well as a Director of Viscocom Sdn. Bhd. and First Telecom International Limited. He began his career in financial sector in 1981 in Malaysia. In 1988, he left a financial institution to join Mr. Ng Kok Hong in 1989 to venture into the mobile phone industry and became one of the top mobile phone dealers in Kuala Lumpur. He is the elder brother of Mr. Ng Kok Hong and Mr. Ng Kok Yang. He is the husband of Siew Ai Lian.

**Mr. NG Kok Yang**, aged 33, Chief Executive Officer of the Group. Having obtained his law degree from the University of London, he read for the Bar at Lincoln's Inn and was admitted to the Bar of England and Wales in 1991. Upon his return to his native Malaysia, he was admitted to the rolls as an Advocate and Solicitor of Malaya. From 1992 to 1996, Mr. Ng Kok Yang practised law in Kuala Lumpur, Malaysia. In 1996, Mr. Ng Kok Yang joined First Telecom International Limited and

shared in Mr. Ng Kok Hong's vision of a global mobile phone distribution network. In 1996, Mr. Ng Kok Yang was involved in the setting up of First Mobile UK Limited. During the past three and a half years, Mr. Ng had made invaluable contribution to the growth of the Group including the setting up of a strong suppliers network worldwide as well as strong distribution channels in Asia Pacific. He is the younger brother of Mr. Ng Kok Hong and Mr. Ng Kok Tai.

### *Independent non-executive Directors*

**Mr. SZE Tsai To Robert**, aged 60, independent non-executive Director. Mr. Sze is a member of the Chinese People's Political Consultative Conference in Mainland China and non-executive Directors of several companies listed in Hong Kong. Mr. Sze has been working in an international accounting firm for 29 years where he was a partner. He is a fellow member of The Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Society of Accountants. Currently, directorships held by Mr. Sze include the non-executive Director of Asia Satellite Telecommunications Holdings Limited and RNA Holdings Limited, and the independent non-executive Director of Dah Sing Financial Holdings Limited, Min Xin Holdings Limited, QPL International Limited, SW Kingsway Capital Holdings Limited and Hop Hing Holdings Limited.

**Mr. WU Wai Chung Michael**, aged 50, independent non-executive Director. Mr. Wu is currently a full-time adviser to the Chinese Securities Regulatory Commission in Mainland China and was the former Deputy Chairman, Chief Operating Officer and Executive Director responsible for the Intermediaries Division of the Securities and Futures Commission until his

departure on 31st December, 1997. He was also responsible for the Corporate Resources Division of the Securities and Futures Commission. Mr. Wu is currently an independent non-executive Director of SW Kingsway Capital Holdings Limited.

**Mr. CHONG Yulin Derrick**, aged 40, independent non-executive Director. Mr. Chong obtained his Bachelor in Theology and Master in Ministry from the Malaysia Bible Seminary and is currently serving as the Regional Consultant to the Church Planting Partners, a non-profit making organisation in Hong Kong. Mr. Chong has over 15 years of experience in the development and distribution of literature and training programmes of non-profit making organisations. Mr. Chong is currently a Director of a non-profit making organisation in Malaysia.

## SENIOR MANAGEMENT

**Mr. SEE Tak Wah**, aged 37, Chief Operating Officer of the Group. Mr. See graduated from the Management School of University of Waikato in New Zealand and is a member of the Institute of Chartered Accountants of New Zealand and an associate member of the Hong Kong Society of Accountants. Mr. See has nearly 10 years of experience in the telecommunications industry where he previously worked as the Regional Business Controller of Nokia Mobile Phones Asia Pacific headquarters, the Managing Director of Nokia Mobile Phones Hong Kong and held key management position in the North Asia office of Philips and Siemens. Prior to joining the Group in October 2000, Mr. See ran his own strategic consultancy business serving multinational corporations.

**Mr. CHAN Kwok Keung**, aged 37, Chief Financial Officer of the Group and the Company Secretary and the Qualified Accountant of the Company. Mr. Chan is a fellow of the Association of Chartered Certified Accountants, associate member of Hong Kong Society of Accountants and member of the Hong Kong Securities Institute. He obtained a Post Graduate Diploma in Banking and Finance from the City University of Hong Kong. Before joining the Group in July 2000, Mr. Chan had over 14 years of assurance and business advisory experience working in the Hong Kong and Boston offices of an international accounting firm.

**Ms. CHAN Suet Lan Angela**, aged 38, Senior Vice President (Marketing) of the Group and is responsible for the marketing activities of the Group. Ms. Chan received her Bachelor Degree in Arts from the University of Hong Kong and has over 16 years of extensive experience in marketing telecommunications products. Prior to joining the Group in May 2000, she worked for various information technology and telecommunications corporations including Tricom, Hong Kong Telecom, Cable & Wireless, Attachmate, JOS, Philips and Siemens.

**Mr. DAY Kevin**, aged 42, Chief Executive Officer of FTI-Australia. Mr. Day has nearly 20 years of experience in the mobile communications industry where he previously worked as the Sales Director for Securicor Cellular Services Ltd, as the Regional Director, Asia Pacific for Securicor 3net Pty Limited and as General Manager for Vodafone Australia. He joined First Mobile Group in February 2001.



**Mr. DOWNIE David Malcolm**, aged 43, Chief Executive Officer of First Mobile UK Limited. Mr. Downie is a member of the Institute of Directors in the U.K. and has more than 19 years of experience in sales and marketing management. Prior to joining the Group in November 1996, he held senior positions with a number of retail distributors and networking equipment and mobile phone distributors.

**Mdm. ENG Sew Chin**, aged 53, Group Treasurer. Mdm. Eng is also an Alternate Director/Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 28 years of experience in the accounting and financial field. Prior to joining the Group in July 2000, Mdm. Eng was the Financial Controller of a big group of companies involved in manufacturing, services, trading, and plantations in Malaysia. Mdm. Eng is the elder sister of Mr. Ng Kok Hong, Mr. Ng Kok Tai, Mr. Ng Kok Yang and Mr. Ng Lee Guan.

**Mr. LAI Wai San**, aged 38, Vice President (Technology) of the Group since December 1999. Mr. Lai received his Bachelor Degree in Computer Science and Economics from the University of Waikato in New Zealand. With more than 12 years of extensive experience in the information technology field, Mr. Lai has a proven track record of achievements in utilising technology to promote business performance in both major national and international corporations in Hong Kong such as Merrill Lynch International Inc., PricewaterhouseCoopers and Nokia Mobile Phones Asia Pacific headquarters.

**Mr. MARABUT Raul Roberto**, aged 35, Chief Executive Officer of First Asia Mobile, Inc. since February 2001. He graduated from the Ateneo de Manila (Philippines). He has more than 14 years of experience in the information technology, semiconductor and telecommunications industries. His business skills encompass formulation of marketing strategies, development of distribution channels and major account development, gained from working for companies like NCR Corporation, Kulicke & Soffa Industries, Vitalo Plastics N.V. and Hughes Network Systems.

**Mr. NG Kian Teck Simon**, aged 42, Group General Manager (Sales, Marketing & Service) of First Mobile Group Sdn. Bhd. in Malaysia. Mr. Ng has a Master Degree in Business Administration from the University of Bath, the U.K. and a Chartered Institute of Marketing U.K. Diploma holder. He has over 15 years of experience in the cellular industry and held senior positions with a listed company in Malaysia and a distributor of mobile phones prior to joining the Group in April 1999.

**Mr. NG Lee Guan**, aged 44, Chief Executive Officer of Shanghai Fast Telcon Equipment International Trading Co., Ltd. in Mainland China. Mr. Ng has a Master Degree in Management from the Pepperdine University in the United States and a Bachelor of Science Degree in Business Administration (majoring in Accounting) from the California State University, Chico, the United States. He is a Certified Public Accountant in California, USA and a member of both the American Institute of Certified Public Accountants and the Malaysian Association of Certified Public Accountants. Prior to joining the Group in December 1996, he had many years of senior level management experience in various countries within a variety of professional and industrial settings. Mr. Ng is the elder brother of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang respectively and is the younger brother of Mdm. Eng Sew Chin.

**Ms. SIEW Ai Lian**, aged 41, Director of First Mobile Group Sdn. Bhd. in Malaysia. She was educated in Malaysia and has extensive experience in administration and human resources management. She joined the Group in 1996. Prior to that, she worked with a number of financial institutions and foreign agencies in Malaysia. She is the wife of Mr. Ng Kok Tai.

**Ms. TSE Yuen Yee Irene**, aged 43, Vice President (Human Resources) of the Group. Graduated with a Master of Science degree in Human Resources Management and a Master of Business Administration, a Diploma in Administrative Management and a Higher National Diploma in Business & Finance from the U.K., Ms. Tse is a Member of the Institute of Administrative Management and Institute of Personnel Management in the U.K. She has over 16 years of experience in human resources, corporate development and administrative management in the Asia Pacific Region. Prior to joining the Group in July 2000, Ms. Tse had extensive experience with listed companies, multinationals and professional firms in Hong Kong including Cheung Kong (Holdings) Limited, Allied Group, Pioneer International Limited, Centre Pacific Group, Golden Regal Investment & Trading Limited and AchieveGlobal (HK) Ltd.

# > Directors' Report

The directors of the Company (the "Directors") have pleasure in submitting to shareholders their report together with the audited accounts of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2000.

## Group Reorganisation

The Company was incorporated in the Cayman Islands on 5th May, 2000 under the name of First Telecom International Holdings Limited as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. On 31st October, 2000, the name of the Company was changed to its present name. Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 15th December, 2000, to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies comprising the Group. The shares of the Company were listed on GEM of the Stock Exchange on 29th December, 2000 (the "Listing Date").

The Group has been treated as a continuing entity and, accordingly, the accompanying consolidated accounts have been presented on the basis set out in note 2 to the accounts.

## Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities and other particulars of the principal subsidiaries are set out in note 27 to the accounts.

An analysis of the Group's turnover and contribution to operating profit for the year by principal markets is as follows:

	<b>Turnover</b>	<b>Contribution to operating profit</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal market:		
Hong Kong	1,930,832	99,238
Mainland China	724,683	47,833
Malaysia	342,183	53,060
United Kingdom (the "U.K.")	114,565	(3,205)
The Philippines	12,125	(3,884)
	<u>3,124,388</u>	<u>193,042</u>

No activity analysis is provided as the Group's turnover and contribution to operating profit were substantially derived from the trading and distribution of mobile phones and accessories for the year ended 31st December, 2000.



## Results and Appropriations

The results for the year are set out in the consolidated profit and loss account on page 43.

The dividend of HK\$30,000,000 for the year ended 31st December, 2000 was paid by a subsidiary of the Company to its then shareholders prior to the completion of the Reorganisation on 15th December, 2000.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2000.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

## Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$283,000.

## Fixed Assets

Details of the movements in fixed assets are set out in note 13 to the accounts.

## Share Capital

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out on page 77.

## Purchase, Sale or Redemption of Shares

During the period from 29th December, 2000 (the Listing Date) to 31st December, 2000, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.



## Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

## Directors

The Directors during the year and up to the date of this report are:

### *Executive Directors*

Mr. Ng Kok Hong	(appointed on 5th May, 2000)
Mr. Ng Kok Tai	(appointed on 5th May, 2000)
Mr. Ng Kok Yang	(appointed on 5th May, 2000)
Ms. Joanna Lawrence	(appointed on 5th May, 2000 and resigned on 9th May, 2000)

### *Independent non-executive Directors*

Mr. Wu Wai Chung, Michael	(appointed on 31st August, 2000)
Mr. Sze Tsai To, Robert	(appointed on 1st September, 2000)
Mr. Chong Yulin, Derrick	(appointed on 20th November, 2000)

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Ng Kok Yang, Mr. Wu Wai Chung, Michael, Mr. Sze Tsai To, Robert and Mr. Chong Yulin, Derrick retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management are set out on pages 26 to 29.

## Directors' Service Contracts

Each of the executive Directors entered into a service agreement during the year with the Company under which they are to act as executive Directors for an initial term of three years commencing from 1st January, 2001 and shall continue thereafter until terminated by either party giving to the other not less than six months' notice in writing. The initial annual remuneration pursuant to such agreements for executive Directors is in the aggregate amount of approximately HK\$8,450,000. The executive Directors are also entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the Group attributable to shareholders of the Company. The percentage shall be determined by the board of Directors but in any case the aggregate amount payable in each financial year to all the executive Directors of the Company shall not exceed 10% of such profit.

Based on the audited financial results for the year ended 31st December, 2000, the maximum amount of the discretionary bonus that the Directors would have been entitled to was approximately HK\$14,442,000. No executive Directors are entitled to such discretionary bonus.

## **Directors' Service Contracts** *(continued)*

The independent non-executive Directors have been appointed for a term expiring on 31st December, 2002. Save for directors' fees of HK\$300,000 per annum for each of the independent non-executive Directors (except for Mr. Chong Yulin, Derrick who is entitled to a directors' fee of HK\$50,000 per annum), none of the non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## **Directors' Interests in Contracts**

No contracts of significance (as defined in rule 18.25 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules")) in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **Connected Transactions**

- (a) Significant related party transactions entered into by the Group during the year ended 31st December, 2000, which also constitute connected transactions under the GEM Listing Rules, are disclosed in note 26 to the accounts.
- (b) Other related party transactions, which also constitute connected transactions under the GEM Listing Rules, are set out below:
  - (1) As at 31st December, 2000, the Group's banking facilities of approximately HK\$113.6 million were guaranteed by certain directors of the Company and its subsidiaries and connected persons (as defined in the GEM Listing Rules), details of which are as follows:
    - (i) pledges and charges on fixed deposits of approximately HK\$2.3 million of Mr. Ng Kok Tai;
    - (ii) legal charges over certain properties held by Mr. Ng Kok Yang, Mr. Yap Soon Lee (the brother in law of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang), Mr. Ng Lee Guan (the elder brother of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang) and Ms. Siew Ai Lian (the spouse of Mr. Ng Kok Tai);



## Connected Transactions *(continued)*

- (iii) personal guarantees of Mr. Ng Kok Tai, Mr. Ng Kok Hong, Ms. Tan Sook Kiang (the spouse of Mr. Ng Kok Hong) and Mr. Tan Seow Seng (a director of a subsidiary of the Company); and
- (iv) a legal charge over a life policy of a director of a wholly-owned subsidiary of the Company.

The Group is in the process of releasing the above guarantees, pledges and charges in exchange for corporate guarantees provided by the Company, details of which will be notified to the shareholders of the Company through public announcement in due course.

- (2) A tenancy agreement (the "Tenancy Agreement") in relation to the residence of an independent non-executive Director, Mr. Chong Yulin, Derrick in Hong Kong was entered into on 1st September, 2000 between a wholly-owned subsidiary of the Company and Mr. Chong. The Tenancy Agreement commenced from 1st September, 2000 at a monthly rental of HK\$6,000 and continues thereafter until terminated by Mr. Chong serving one month written notice to the subsidiary. Sallmans (Far East) Limited, an independent property valuer, confirmed in the Company's prospectus dated 20th December, 2000 (the "Prospectus") that the terms of the Tenancy Agreement are on normal commercial terms.

The Directors confirmed in the Prospectus that the transaction mentioned above has been entered into by the Group on normal commercial terms and in the usual and ordinary course of the Group's business and is fair and reasonable so far as the interests of the shareholders of the Company, taken as a whole, are concerned.

## Share Option Schemes

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely the pre-listing share option plan ("Pre-Listing Share Option Plan") and the share option scheme ("Share Option Scheme"), were approved and adopted. The summary of the terms of the two share option schemes has been set out in Appendix V of the Prospectus.

### (i) Share Option Scheme

Under the Share Option Scheme, the board of Directors or a duly authorised committee thereof which shall include the independent non-executive Directors may, at its discretion, invite any employee including any executive director of any company in the Group to take up options at HK\$1.00 per option to subscribe for shares in the Company (the "Shares") at the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and (iii) the nominal value of a Share, subject to a maximum of 10% of the total number of Shares in issue from time to time.

## Share Option Schemes *(continued)*

### (i) Share Option Scheme *(continued)*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company (including the Pre-Listing Share Option Plan) shall not exceed 30% of the total number of Shares in issue from time to time.

As at 31st December, 2000, no options under this scheme had been granted.

### (ii) Pre-Listing Share Option Plan

The purpose of the Pre-Listing Share Option Plan is to recognise the contribution of certain Directors and employees to the growth of the Group and/or to the listing of the Shares on GEM. On 15th December, 2000, options to subscribe for an aggregate of 174,965,000 Shares at an exercise price of HK\$0.82 per share were granted by the Company to the Directors of the Company and certain employees of the Group. Pursuant to the Pre-Listing Share Option Plan, the 3 executive Directors of the Group were granted options to subscribe for an aggregate of 132,125,000 Shares in the Company (where details are disclosed in the section of "Directors' Interests in Equity Securities"), 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares in the Company and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares in the Company.

Each of the grantee to whom options have been granted under the Pre-Listing Share Option Plan will be entitled to exercise (i) 10% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 6 months from the Listing Date, (ii) 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, (iii) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 18 months from the Listing Date, (iv) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 24 months from the Listing Date, and (v) the remaining 20% of the options granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 30 months from the Listing Date and, in each case, not later than three years from the date of exercise of the option.

No options had been exercised, cancelled or lapsed during the period from the date of grant to 31st December, 2000.



## Directors' Interests in Equity Securities

As at 31st December, 2000, the interests of the Directors and their associates in the shares and options of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock Exchange were as follows:

### (a) Shares of HK\$0.1 each in the Company

Director	Personal interests	Number of shares Family interests (Note (i))	Corporate interests (Note (ii))	Total	Approximate percentage of shareholding %
Mr. Ng Kok Hong	596,766,389	9,088,625	—	605,855,014	34.620
Mr. Ng Kok Tai	—	—	596,766,389	596,766,389	34.101
Mr. Ng Kok Yang	146,944,889	—	—	146,944,889	8.397
Mr. Wu Wai Chung, Michael	787,500	—	—	787,500	0.045
Mr. Sze Tsai To, Robert	787,500	—	—	787,500	0.045

#### Notes:

- (i) These shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong and therefore Mr. Ng Kok Hong is deemed by virtue of the SDI Ordinance to be interested in these shares.
- (ii) These shares are held by NKT Holdings Sdn. Bhd., a company incorporated in Malaysia, which is owned as to 50% by Mr. Ng Kok Tai and as to 50% by Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SDI Ordinance to be interested in these shares.

Save as disclosed above, none of the Directors and their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 31st December, 2000 maintained under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock Exchange.

## Directors' Interests in Equity Securities *(continued)*

### *(b) First Telecom International Limited*

*(Non-voting deferred shares of HK\$1.00 each)*

Director	Personal interests	Number of shares Family interests <i>(Note)</i>	Total
Mr. Ng Kok Hong	1,239,326	18,878	1,258,204
Mr. Ng Kok Tai	1,239,326	—	1,239,326
Mr. Ng Kok Yang	305,160	—	305,160

*Note:*

These shares are owned by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong and therefore Mr. Ng Kok Hong is deemed by virtue of the SDI Ordinance to be interested in these shares.

### *(c) Options to subscribe for shares in the Company*

As at 31st December, 2000, the Company had granted the following share options under the Pre-Listing Share Option Plan to the Directors of the Company:

Director	Personal interests	Number of underlying shares under the Pre-Listing Share Option Plan Family interests <i>(Note)</i>	Total
Mr. Ng Kok Hong	47,250,000	—	47,250,000
Mr. Ng Kok Tai	42,000,000	875,000	42,875,000
Mr. Ng Kok Yang	42,875,000	—	42,875,000

*Note:*

The option to subscribe for 875,000 shares in the Company was granted to Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SDI Ordinance to be interested in this option.

These options were granted on 15th December, 2000 and are exercisable at HK\$0.82 per underlying share. None of the above Pre-Listing share options have been exercised during the year.



### Directors' Interests in Equity Securities *(continued)*

Save as disclosed above, as at 31st December, 2000, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors (including their spouse or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial Shareholders

Other than the interests of the Directors as disclosed above, as at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10 per cent or more of the issued share capital of the Company.

### Competing Interest

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business (as defined in rule 11.04 of the GEM Listing Rules) which competes or may compete with the business of the Group.

### Sponsor's Interests

The interests of Kingsway Capital Limited ("Kingsway") in the share capital of the Company as at 31st December, 2000 is summarised below:

	<u>As at 31st December, 2000</u>
Kingsway	Nil
Kingsway's employees (excluding directors)	Nil
Kingsway's directors	12,365,500
Kingsway's associates	<u>79,087,250</u>
Total	<u><u>91,452,750</u></u>



## **Sponsor's Interests** *(continued)*

Save as disclosed herein, the joint sponsors of the Company (the "Joint Sponsors"), Kingsway and Asia Financial Capital Limited, their respective directors, employees and associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules), as at 31st December, 2000, did not have any interests in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

Two of the independent non-executive Directors, Mr. Wu Wai Chung, Michael and Mr. Sze Tsai To, Robert, are independent non-executive directors of SW Kingsway Capital Holdings Limited, the holding company of Kingsway.

Pursuant to an agreement dated 3rd January, 2001 entered into between the Company and the Joint Sponsors, the Joint Sponsors receive a fee for acting as the Company's retained sponsors for the period from 29th December, 2000 to 31st December, 2002.

In January 2001, a fellow subsidiary of Kingsway received a fee from the Company for certain consultancy services to be rendered to the Group with respect to the implementation of an investor relationship program.

## **Management Contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **Advance to an Entity**

According to rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 25% of the Group's net tangible assets. As at 31st December, 2000, the amount of approximately HK\$145,518,000 due from \_\_\_\_\_, a company which is independent of, and not connected with, the Company, the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules), represents 41.7% of the net tangible assets value of the Group. The corresponding amount as at 31st October, 2000, being the balance last disclosed, was HK\$118,450,000 which represented 38.0% of the adjusted net tangible assets value of the Group (as calculated in the subsection headed "Adjusted net tangible assets" under the section headed "Financial information" to the Prospectus). Both amounts due are trade receivables which are unsecured, interest free and have normal terms of settlement.



## Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

### Sales

— the largest customer	23.2%
— five largest customers combined	64.8%

### Purchases

— the largest supplier	40.1%
— five largest suppliers combined	70.2%

United Straits Cellular International Limited, a company beneficially owned by Ms. Tan Sook Kiang (the spouse of Mr. Ng Kok Hong), Ms. Siew Ai Lian (the spouse of Mr. Ng Kok Tai) and the parents of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang, is one of the Group's five largest suppliers for the year. It accounted for approximately 13.9% of the Group's total purchases for the year ended 31st December, 2000.

Save as disclosed herein, none of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

## Compliance with the GEM Listing Rules

The Company has complied with rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its shares on GEM of the Stock Exchange on 29th December, 2000.

## Audit Committee

The Company established an audit committee on 15th December, 2000 with terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. As at 31st December, 2000, the audit committee has three members comprising two independent non-executive Directors, Mr. Wu Wai Chung, Michael and Mr. Sze Tsai To, Robert, and one executive Director, Mr. Ng Kok Hong.

The principal duties of the audit committee include the review and supervision of the financial reporting process and internal control procedures of the Group. Since its establishment, an audit committee meeting was held for reviewing the Group's final results for the year ended 31st December, 2000, and providing advices and recommendations to the board of Directors.

## **Year 2000 Compliance**

The board of Directors is pleased to announce that all accounting, financial, functional and operational applications in the Group were fully Year 2000 compliant and, therefore, the Year 2000 compliance issue did not have any adverse material impact on the business operations in any functional areas.

## **Auditors**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Ng Kok Hong**

*Executive Chairman*

Hong Kong, 19th March, 2001

## **Auditors' Report to the Shareholders of First Mobile Group Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the accounts on pages 43 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 19th March, 2001

# > Consolidated Profit and Loss Account

For the year ended 31st December, 2000

	Note	2000 HK\$'000	1999 HK\$'000
Turnover	3	<b>3,124,388</b>	1,622,613
Cost of sales	4	<b>(2,835,529)</b>	(1,505,661)
Gross profit		<b>288,859</b>	116,952
Other revenues	3	<b>2,008</b>	1,893
Distribution costs		<b>(6,253)</b>	(524)
Selling, general and administrative expenses		<b>(90,898)</b>	(46,155)
Other operating expenses, net		<b>(674)</b>	(2,267)
Operating profit	5	<b>193,042</b>	69,899
Finance costs	6	<b>(11,011)</b>	(11,772)
Profit before taxation		<b>182,031</b>	58,127
Taxation	7	<b>(35,984)</b>	(3,332)
Profit after taxation		<b>146,047</b>	54,795
Minority interests		<b>(1,632)</b>	(3,420)
Profit attributable to shareholders	8	<b>144,415</b>	51,375
Dividend	9	<b>(30,000)</b>	—
Profit for the year retained	21	<b>114,415</b>	51,375
Basic earnings per share	10	<b>HK9.9 cents</b>	HK3.5 cents

# > Consolidated Balance Sheet

As at 31st December, 2000

	Note	2000 HK\$'000	1999 HK\$'000
<b>Non-current assets</b>			
Fixed assets	13	65,910	53,743
Non-trading securities	15	1,828	—
Club memberships, at cost		211	82
		<b>67,949</b>	53,825
<b>Current assets</b>			
Inventories	16	186,738	32,433
Trade receivables		404,820	125,069
Other receivables and prepayments		38,713	4,138
Amount due from a related company	17	—	25,793
Amount due from a director	17	—	168
Bank balances and cash	18		
— pledged		40,456	15,175
— not pledged		193,406	36,133
		<b>864,133</b>	238,909
<b>Current liabilities</b>			
Trade payables		423,178	157,646
Bills payable		11,489	4,019
Other payables and accrued charges		44,573	11,020
Amounts due to related companies	17	—	9,354
Amounts due to directors	17	—	698
Amounts due to related parties	17	—	490
Current portion of long-term liabilities	22	10,906	5,663
Other short-term loans	19	870	2,965
Taxation payable		28,644	2,684
Bank loans and overdrafts			
— secured		45,367	16,668
— unsecured		10	529
		<b>565,037</b>	211,736
Net current assets		<b>299,096</b>	27,173
Total assets less current liabilities		<b>367,045</b>	80,998

	Note	2000 HK\$'000	1999 HK\$'000
Financed by:			
Share capital	20	175,000	80
Reserves	21	174,112	56,636
Shareholders' funds		349,112	56,716
Minority interests		5,227	3,776
Non-current liabilities			
Long-term liabilities	22	12,706	20,506
		<b>367,045</b>	<b>80,998</b>

**Ng Kok Hong**  
Director

**Ng Kok Yang**  
Director

# > Balance Sheet

As at 31st December, 2000

	Note	2000 HK\$'000
Non-current assets		
Investments in subsidiaries	14	248,903
Current assets		
Other receivables		12,422
Bank balances and cash		89,824
		102,246
Current liabilities		
Other payables		836
Net current assets		101,410
Total assets less current liabilities		350,313
Financed by:		
Share capital	20	175,000
Reserves	21	175,313
Shareholders' funds		350,313

**Ng Kok Hong**  
Director

**Ng Kok Yang**  
Director



# > Consolidated Cash Flow Statement

For the year ended 31st December, 2000

	Note	2000 HK\$'000	1999 HK\$'000
Net cash inflow from operating activities	24(a)	40,536	65,709
Return on investments and servicing of finance			
Interest received		1,878	1,484
Interest paid		(4,950)	(7,886)
Interest element of hire purchase payments		(591)	(215)
Bank and other charges paid		(3,756)	(2,739)
Dividend paid to former shareholders of a subsidiary		(30,000)	—
Net cash outflow from returns on investments and servicing of finance		(37,419)	(9,356)
Taxation			
Hong Kong profits tax paid		(2,234)	(3,994)
Hong Kong profits tax refund		—	70
Overseas taxation paid		(7,724)	(193)
Net taxation paid		(9,958)	(4,117)
Investing activities			
Purchase of fixed assets		(8,820)	(1,985)
Sale of fixed assets		373	43
Purchase of non-trading securities		(6,575)	—
Purchase of club memberships		(129)	(82)
(Increase)/decrease in bank deposits		(25,707)	4,760
Net cash (outflow)/inflow from investing activities		(40,858)	2,736
Net cash (outflow)/inflow before financing		(47,699)	54,972
Financing	24(b)		
Proceeds from issue of shares		202,265	—
Share issue expenses		(20,690)	—
Capital element of hire purchase payments		(5,918)	(693)
Repayment of secured long-term bank loans		(4,848)	(4,387)
Capital contribution by a minority shareholder		—	215
Increase/(decrease) in short-term loans		12,798	(7,122)
Net cash inflow/(outflow) from financing		183,607	(11,987)
Increase in cash and cash equivalents		135,908	42,985
Cash and cash equivalents at 1st January		14,917	(28,115)
Effect of foreign exchange rate changes		182	47
Cash and cash equivalents at 31st December	24(d)	151,007	14,917

# > Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December, 2000

	Note	2000 HK\$'000	1999 HK\$'000
Revaluation surplus on other properties	21	1,111	—
Deficit on revaluation of non-trading securities	21	(4,747)	—
Exchange differences arising on translation of subsidiaries	21	42	(13)
Net losses not recognised in the profit and loss account		(3,594)	(13)
Profit attributable to shareholders		144,415	51,375
Total recognised gains and losses		140,821	51,362

## 1 Group reorganisation

- (a) The Company was incorporated in the Cayman Islands on 5th May, 2000 under the name of First Telecom International Holdings Limited as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. On 31st October, 2000, the Company changed its name to First Mobile Group Holdings Limited.
- (b) Pursuant to a group reorganisation (the "Reorganisation"), to rationalise the group structure in connection with the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong (the "Stock Exchange"), the Company became the holding company of the subsidiaries, details of which are set out in note 27 below. The Reorganisation of the Group was completed on 15th December, 2000 and the shares of the Company were listed on the Stock Exchange on 29th December, 2000 ("the Listing Date").

## 2 Principal accounting policies

The principal accounting policies adopted in the preparation of the consolidated accounts are set out below:

### (a) Basis of preparation of the accounts

The accounts have been prepared under the historical cost convention as modified by the revaluation of properties and non-trading securities, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

No balance sheet of the Company as at 31st December, 1999 is presented in the accounts as the Company was not incorporated on that date.

### (b) Basis of consolidation

The Reorganisation referred to in note 1 above has been reflected in the accounts by regarding the Group as a continuing group. Accordingly, the consolidated accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the other companies comprising the Group throughout the two years ended 31st December, 1999 and 2000, or from the respective dates of incorporation or acquisition, where this is a shorter period. In the opinion of the directors, the consolidated accounts prepared on the above basis presents more fairly the results, cash flows and state of affairs of the Group as a whole.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December on the basis set out in note 1 above.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.



## 2 Principal accounting policies *(continued)*

### (c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds for the long term more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (d) Capital reserve

Capital reserve presents the excess of the fair values ascribed to the separable net assets of subsidiaries acquired over the purchase consideration and is taken directly to reserves in the year of acquisition.

### (e) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation set out in note 1 above and the nominal value of the Company's shares issued in exchange therefor.

### (f) Fixed assets

#### (i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

Investment properties held on leases with unexpired lease term of over 20 years are not depreciated.

## 2 Principal accounting policies *(continued)*

### (f) Fixed assets *(continued)*

#### (ii) Other fixed assets

Leasehold properties and freehold property are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Fair value is determined by the directors based on independent valuations. The valuations are on an open market basis related to individual properties. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of these properties is credited to the other properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of an asset is recognised as an expense to the extent that it exceeds the balance, if any, on other properties revaluation reserve relating to a previous revaluation of that asset.

Fixed assets, other than investment properties, leasehold properties and freehold property, are stated at cost less accumulated depreciation.

Freehold land is not subject to amortisation.

Leasehold land is amortised over the remaining period of respective leases while other fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% to 4%
Leasehold improvements	20% to 25%
Furniture, fixtures and equipment	8% to 25%
Motor vehicles	20% to 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as movement in reserves.



## 2 Principal accounting policies *(continued)*

### (g) Assets under hire purchase contracts

Assets which are acquired through hire purchase contracts of a financing nature under which substantially all the risks and rewards of ownership, other than legal title, are transferred to the Group, are treated as if they had been purchased. An amount equivalent to the cost is recorded as a fixed asset. The corresponding lease commitments, excluding the interest element, are shown as obligations under hire purchase contracts.

Payments to the lessors are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account, using the straight-line method, over the period of the lease.

### (h) Non-trading securities

Securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired.

Upon disposal of a security, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investments revaluation reserve, is dealt with in the profit and loss account.

Individual securities are reviewed regularly to determine whether they are impaired. When a security is considered to be impaired, the cumulative loss recorded in the investments revaluation reserve is taken to the profit and loss account. Transfers from the investments revaluation reserve to the profit and loss account as a result of impairments are written back to the profit and loss account when the circumstances and events leading to the impairment cease to exist.

### (i) Inventories

Inventories comprise mobile phones and accessories for resale and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (k) Advertising and promotion costs

Advertising and promotion costs incurred net of reimbursements from suppliers are charged to the profit and loss account in the year in which they are incurred.

## 2 Principal accounting policies *(continued)*

### (l) Warranty costs

The Group is provided with warranty from certain suppliers in respect of defects of mobile phones and accessories. The Group provides warranty to customers upon sale of certain mobile phones and accessories. Provision is made for warranty costs not recoverable from suppliers.

### (m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### (n) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

### (o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

### (p) Retirement benefit costs

Pursuant to the relevant regulations of the governments in Malaysia, the United Kingdom (the "U.K."), Mainland China and the Philippines, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to the salary scale, as stipulated under the requirements in the respective countries. The governments of the respective countries are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to the profit and loss account as incurred.

A subsidiary in the U.K. and a subsidiary in Hong Kong also operate defined contribution schemes. The scheme in the U.K. is only available to the U.K. qualified employees. Monthly contributions made by the subsidiary are at fixed sums agreed between the subsidiary and each qualified employee while the monthly contributions made by the employees are determined by respective qualified employees. The scheme in Hong Kong is available to all Hong Kong employees starting from 1st December, 2000. Contribution to the scheme is calculated on the basis of certain percentage of employees' relevant income or a fixed sum of HK\$2,000 for each employee whichever is lower. The assets of both schemes are held separately from those of subsidiaries in independently administered funds. Contributions to the both schemes are charged to the profit and loss account as incurred and are not reduced by contributions forfeited by these employees who leave the schemes prior to vesting fully in contributions.

## 2 Principal accounting policies *(continued)*

### (q) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### (r) Pre-operating costs

Pre-operating costs are expensed in the period in which they are incurred.

### (s) Revenue recognition

The Group recognises revenues on the following bases:

#### (i) Revenue from sale of mobile phones and accessories

Revenue from the sale of mobile phones and accessories is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the mobile phones and accessories are delivered to customers and title has passed. Rebates from suppliers relating to purchase of mobile phones are deducted against the purchase costs of mobile phones.

#### (ii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### (iii) Rental income

Rental income is recognised on a straight-line basis over the period of each lease.

## 3 Turnover and revenues

The Group is principally engaged in the trading and distribution of mobile phones and accessories. Turnover represents invoiced value of sales of mobile phones and accessories to customers, net of returns, discounts allowed or valued-added tax where applicable. Revenues recognised during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Turnover		
Revenue from sale of mobile phones and accessories, net	<b>3,124,388</b>	1,622,613
Other revenues		
Interest income	<b>1,936</b>	1,483
Gross rental income from an investment property	<b>72</b>	72
Other rental income	<b>—</b>	338
	<b>2,008</b>	1,893
Total revenues	<b>3,126,396</b>	1,624,506



#### 4 Cost of sales

Cost of sales comprises:

	2000 HK\$'000	1999 HK\$'000
Cost of inventories sold	2,798,395	1,476,046
Other direct costs	32,816	26,399
Provision for inventory loss	4,318	3,216
	<b>2,835,529</b>	<b>1,505,661</b>

#### 5 Operating profit

Operating profit is stated after crediting and charging the following:

	2000 HK\$'000	1999 HK\$'000
<b>Crediting</b>		
Gains on disposal of fixed assets	83	—
Recovery of bad debts previously written off	449	—
Write-back of deficit on revaluation of an investment property previously charged	90	—
<b>Charging</b>		
Auditors' remuneration	1,704	467
Deficit on revaluation of an investment property	—	80
Depreciation		
— owned fixed assets	3,613	2,934
— leased fixed assets	1,924	644
Operating leases		
— land and buildings	2,122	816
— office equipment	200	12
Pre-operating costs	120	—
Provision for amounts due from former subsidiaries (Note)	—	3,531
Provision for doubtful debts	1,074	1,194
Retirement benefit costs (note 11)	1,585	1,085
Staff costs	39,400	18,344

Note: The former subsidiaries were disposed of to third parties pursuant to the Reorganisation.

**6 Finance costs**

	2000 HK\$'000	1999 HK\$'000
Interest expenses on:		
— bank loans and overdrafts	5,270	5,842
— other loans wholly repayable within five years	1,314	2,775
— hire purchase contracts	591	215
— loans from a related party (note 17 (iii))	80	201
Bank and other charges	3,756	2,739
	<b>11,011</b>	<b>11,772</b>

**7 Taxation**

	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax (note (i))	15,223	931
10% 1997/98 Hong Kong profits tax rebate	—	(304)
Overseas taxation (note (ii))	21,398	—
Overprovisions for taxation in prior years	(637)	(232)
Deferred taxation (note (iii) and 23)	—	2,937
	<b>35,984</b>	<b>3,332</b>

- (i) Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

A subsidiary which operates in Mainland China is subject to preferential enterprise income tax at a rate of 15%. No enterprise income tax was provided for the year ended 31st December, 1999 as the subsidiary was entitled to a refund of enterprise income tax paid at a rate of 100% for the year ended 31st December, 1999 and 50% for the year ended 31st December, 2000 in accordance with an approval document from the Shanghai Pudong New District Finance Bureau and Shanghai Pudong New District Tax Bureau dated 28th June, 1999 (Pu Shui Wai (99) Lie Zi No. 695). The subsidiary has provided the enterprise income tax at a rate of 15% on its income for the year ended 31st December, 2000 as the State Council issued a document on 11th January, 2000 (Guo Fa (2000) No. 2) terminating the refund of taxes by provincial and municipal governments with effect from 1st January, 2000 unless prior approval from the State Council is obtained.

Subsidiaries in Malaysia are subject to income tax of 28%. Pursuant to Section 8 of the Income Tax (Amendment) Act 1999 of Malaysia, Malaysia income tax was waived in respect of business income earned by these subsidiaries for the year ended 31st December, 1999. The tax concession was only applicable for the year ended 31st December, 1999.

- (iii) There was no material unprovided deferred tax for the year. The deferred tax charge in the prior year was recognised in respect of tax losses.

## 8 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$8,916,000 (1999: Nil).

## 9 Dividend

The dividend of HK\$30,000,000 for the year ended 31st December, 2000 was paid by a subsidiary to its then shareholders prior to the completion of the Reorganisation on 15th December, 2000. The dividend rate is not presented as the directors are of the opinion that such information is not meaningful for the purpose of these accounts.

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2000 (1999: Nil).

## 10 Earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$144,415,000 and on the weighted average number of 1,462,971,616 shares in issue during the year.

The comparative earnings per share is calculated based on the profit attributable to shareholders of HK\$51,375,000 and on an aggregate of 1,454,180,000 shares, comprising 10,000 shares issued at nil paid on 9th May, 2000 immediately after incorporation of the Company together with 790,000 shares issued upon the Reorganisation and 1,453,380,000 shares issued pursuant to the capitalisation issue for the then shareholders of the Company upon completion of the Reorganisation, which were deemed to have been in issue since 1st January, 1999.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 31st December, 2000 (1999: Nil).

## 11 Retirement benefit costs

	2000 HK\$'000	1999 HK\$'000
Retirement benefit costs	1,585	1,085

The retirement benefits costs represent gross contributions paid and payable by the Group to the schemes operated by the governments of respective countries and the defined contribution schemes operated in the U.K. and Hong Kong (collectively the "Retirement Schemes"). Contributions totalling approximately HK\$195,000 (1999: HK\$173,000) payable to the Retirement Schemes at the year end are included in other payables and accrued charges. There was no forfeited contribution throughout the year (1999: Nil).

## 12 Directors' and senior management's emoluments

### (a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees	1,033	1,040
Salaries, allowances and benefits in kind	6,715	4,242
Bonuses	841	179
Contributions to retirement schemes	72	43
	<b>8,661</b>	<b>5,504</b>

The three executive directors of the Company received individual emoluments for the year ended 31st December, 2000 of approximately HK\$4,552,000 (1999: HK\$2,729,000), HK\$1,618,000 (1999: HK\$1,446,000) and HK\$2,491,000 (1999: HK\$1,329,000) respectively.

The quarters provided to two executive directors of the Company are included as part of their emoluments.

No emoluments were paid to non-executive directors of the Company during the year (1999: Nil).

During the year, 132,125,000 share options were granted to the three executive directors under the pre-listing share option plan ("Pre-Listing Share Option Plan") approved and adopted by the written resolutions of the shareholders of the Company dated 15th December, 2000. Under the Pre-Listing Share Option Plan, each option holder entitles to subscribe for the specified number of shares in the Company at HK\$0.82 each in stages commencing six months from the Listing Date and in any stages, no later than three years from the date of the exercise of the options. During the year, no options had been exercised by the directors.

The directors' emoluments are analysed as follows:

Emoluments band	Number of directors	
	2000	1999
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	—	2
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	—
	<b>6</b>	<b>6</b>

## 12 Directors' and senior management's emoluments (continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	2000 HK\$'000	1999 HK\$'000
Directors	8,661	5,504
Employees	2,481	2,296
	<b>11,142</b>	<b>7,800</b>

Details of the aggregate emoluments paid to employees are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and benefits in kind	2,103	1,839
Bonuses	131	281
Contributions to retirement schemes	247	176
	<b>2,481</b>	<b>2,296</b>

The emoluments of employees fell within the following bands:

Emoluments band	Number of individuals	
	2000	1999
Nil to HK\$1,000,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<b>2</b>	<b>2</b>

During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

**13 Fixed assets**

	Group						Total HK\$'000
	Investment property HK\$'000	Freehold property HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	
<b>Cost or valuation</b>							
At 1st January, 2000	1,610	5,006	42,435	2,727	3,975	5,173	60,926
Exchange adjustment	—	(398)	—	—	(41)	(130)	(569)
Additions	—	—	—	706	3,780	12,789	17,275
Revaluation	90	32	(3,135)	—	—	—	(3,013)
Disposals	—	—	—	—	(1,098)	(64)	(1,162)
At 31st December, 2000	1,700	4,640	39,300	3,433	6,616	17,768	73,457
<b>Accumulated depreciation</b>							
At 1st January, 2000	—	125	2,685	838	1,682	1,853	7,183
Exchange adjustment	—	(10)	—	—	(9)	(68)	(87)
Charge for the year	—	46	1,368	649	950	2,524	5,537
Revaluation	—	(161)	(4,053)	—	—	—	(4,214)
Disposals	—	—	—	—	(812)	(60)	(872)
At 31st December, 2000	—	—	—	1,487	1,811	4,249	7,547
<b>Net book value</b>							
At 31st December, 2000	1,700	4,640	39,300	1,946	4,805	13,519	65,910
At 31st December, 1999	1,610	4,881	39,750	1,889	2,293	3,320	53,743
The analysis of the cost or valuation at 31st December, 2000 of the above assets is as follows:							
At cost	—	—	—	3,433	6,616	17,768	27,817
At 2000 valuation	1,700	4,640	39,300	—	—	—	45,640
	1,700	4,640	39,300	3,433	6,616	17,768	73,457

### 13 Fixed assets (continued)

The freehold property is situated outside Hong Kong.

All leasehold properties and investment property are situated in Hong Kong and are held under leases of between 10 to 50 years.

The Group's investment property, freehold property and leasehold properties were revalued by Sallmanns (Far East) Limited and Weatherall Green & Smith, independent professional valuers, on the basis of their open market values as at 31st December, 2000. The surplus arising on revaluation of freehold property and leasehold properties has been accounted for in the other properties revaluation reserve while the surplus arising on revaluation of the investment property is credited to the profit and loss account to the extent of the deficit previously charged.

The carrying value of freehold property and leasehold properties as at 31st December, 2000 would have been approximately HK\$4,447,000 and HK\$38,382,000 had these properties been stated at cost less depreciation.

At 31st December, 2000, the aggregate net book value of the Group's fixed assets held under hire purchase contracts, amounted to HK\$8,534,000 (1999: HK\$2,063,000).

At 31st December, 2000, the investment property, freehold property and leasehold properties with an aggregate net book value of approximately HK\$45,640,000 (1999: HK\$46,241,000) have been pledged to certain banks to secure the Group's banking facilities.

### 14 Investments in subsidiaries

	Company 2000 HK\$'000
Unlisted shares, at cost	159,822
Amounts due from subsidiaries	90,274
Amounts due to subsidiaries	(1,193)
	<b>248,903</b>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayments.

Particulars of principal subsidiaries are set out in note 27 to the accounts.

### 15 Non-trading securities

	Group	
	2000 HK\$'000	1999 HK\$'000
Equity securities, at fair value — listed outside Hong Kong	1,828	—

**16 Inventories**

	Group	
	2000 HK\$'000	1999 HK\$'000
Merchandises, at cost	189,306	33,768
Provision	(2,568)	(1,335)
	<b>186,738</b>	<b>32,433</b>

At 31st December, 2000, the carrying amount of inventories that are carried at net realisable value amounted to HK\$5,107,000 (1999: HK\$1,689,000).

**17 Amounts due from/to related companies, directors and related parties**

	At 1st January, 2000 HK\$'000	At 31st December, 2000 HK\$'000	Maximum amount outstanding during the year HK\$'000
Due from/(to) related companies ( <i>note (i)</i> )			
— United Straits Cellular International Limited	25,793	—	43,013
— Transnet Limited	—	—	107
— Genesis Enterprise Company	(1,295)	—	7
— Grace Global Limited	(8,059)	—	1,744
	<b>(16,439)</b>	<b>—</b>	<b>44,871</b>
Due from/(to) directors ( <i>note (ii)</i> )			
— Mr. Ng Kok Yang	168	—	629
— Mr. Ng Kok Hong	(624)	—	1,530
— Mr. Ng Kok Tai	(74)	—	687
	<b>(530)</b>	<b>—</b>	<b>2,846</b>
Due to related parties ( <i>note (iii)</i> )			
— Ms. Eng Sew Chin	—	—	204
— Ms. Tan Sook Kiang	(277)	—	405
— Mr. Tan Seow Seng	(204)	—	—
— Mr. Tan Choon Aik	(9)	—	—
	<b>(490)</b>	<b>—</b>	<b>609</b>



## 17 Amounts due from/to related companies, directors and related parties *(continued)*

*Notes:*

- (i) United Straits Cellular International Limited is beneficially owned by Ms. Tan Sook Kiang (the spouse of Mr. Ng Kok Hong), Ms. Siew Ai Lian (the spouse of Mr. Ng Kok Tai) and the parents of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang.

Transnet Limited and Genesis Enterprise Company are beneficially owned by Mr. Ng Kok Hong.

Grace Global Limited is beneficially owned by Ms. Ng Siew Chin and Ms. Siew Ai Lian, a sister and the spouse respectively of Mr. Ng Kok Tai.

The balances with these related companies were unsecured, interest free and fully settled prior to the Listing Date.

- (ii) The amounts due from/(to) directors were unsecured, interest free and fully settled prior to the Listing Date.

- (iii) Ms. Eng Sew Chin is the sister of Mr. Ng Kok Hong, Mr Ng Kok Tai and Mr. Ng Kok Yang.

Mr. Tan Seow Seng is a director of a subsidiary and Mr. Tan Choon Aik is a relative of Mr. Ng Kok Hong.

Ms. Tan Sook Kiang is the spouse of Mr. Ng Kok Hong.

Except for loans payable of HK\$650,000, included in the net amounts due to Ms. Tan Sook Kiang, which bore interest at rates ranging from 11.7% to 37.4% (1999: 11.77% to 40.19%) per annum, the remaining balances with related parties were unsecured and interest free. All balances with related parties were fully settled prior to the Listing Date.

## 18 Bank balances and cash

Included in the bank balances and cash as at 31st December, 2000 were amounts of approximately HK\$38,911,000 (1999: HK\$20,237,000) denominated in Renminbi not freely convertible to other currencies. Included also in the bank balances and cash as at 31st December, 2000 were amounts of approximately HK\$49,985,000 (1999: HK\$21,588,000) denominated in Malaysia Ringgits. Except for settlement of purchase of goods and other provisions as stipulated in the Exchange Control Notices of the Malaysia Exchange Control Act, these amounts are not freely convertible to other currencies unless prior approval from the Bank Negara Malaysia is obtained.

Included in bank balances and cash as at 31st December, 2000 were fixed deposits of approximately HK\$40,456,000 (1999: HK\$15,175,000) pledged as collateral for the Group's short term banking facilities.

## 19 Other short-term loans

The other short-term loan as at 31st December, 2000 is unsecured, interest free and has been fully repaid in January 2001.

The other short-term loans as at 31st December, 1999 were secured by guarantees jointly provided either by directors of a subsidiary or by a related company. Interest on other short-term loans were charged at rates ranging from 25% to 38% per annum. All loans were fully repaid during the year.

**20 Share capital**

	Number of shares of HK\$0.1 each	HK\$'000
<i>Authorised:</i>		
On incorporation at 5th May, 2000 ( <i>note (a)</i> )	1,000,000	100
Increase on 15th December, 2000 ( <i>note (b)(i)</i> )	2,999,000,000	299,900
	<u>3,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>		
Shares allotted and issued on 9th May, 2000 ( <i>note (a)</i> )	10,000	1
Shares allotted and issued for acquisition of subsidiaries ( <i>note (b) (ii)</i> )	790,000	79
Pre-listing issue ( <i>note (b) (iii)</i> )	85,722	9
Capitalisation issue ( <i>note (b) (iv)</i> )	1,609,114,278	160,911
Placing of shares ( <i>note (c)</i> )	140,000,000	14,000
	<u>1,750,000,000</u>	<u>175,000</u>

*Notes:*

- (a) The Company was incorporated in the Cayman Islands on 5th May, 2000 with an authorised capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each. On 9th May, 2000, 10,000 shares were issued and allotted nil paid.
- (b) In connection with the listing of the Company's shares on the GEM of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 15th December, 2000:
- (i) the authorised share capital of the Company was increased to HK\$300,000,000 by the creation of an additional 2,999,000,000 shares of HK\$0.10 each.
  - (ii) as part of the consideration for the acquisition by the Company of the entire issued capital of E-Tech Resources Limited, now an intermediate holding company of the companies comprising the Group, an aggregate of 790,000 shares of the Company were issued, credited as fully paid at premium to the then shareholders of E-Tech Resources Limited.
  - (iii) an aggregate of 85,722 shares of the Company were issued, credited as fully paid to the investors pursuant to the subscription agreements.
  - (iv) a total of 1,609,114,278 shares were allotted as fully paid at par to the shareholders whose names appeared on the register of members of the Company in proportion to their respective shareholdings at the close of business on 15th December, 2000 by way of capitalisation of the sum of HK\$160,911,428 standing to the credit of the share premium account of the Company.

## 20 Share capital (continued)

- (c) On 29th December, 2000, an additional 140,000,000 shares of HK\$0.10 each were issued by way of placing at a price of HK\$0.82 per share for cash consideration, before listing expenses, of HK\$114,800,000. The excess over the par value of the shares issued was credited to the share premium account.
- (d) The comparative of share capital shown in the consolidated balance sheet represents 800,000 shares of HK\$0.1 each in the share capital of the Company before the pre-listing issue, capitalisation issue and the placing.
- (e) Share option schemes

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely share option scheme ("Share Option Scheme") and Pre-Listing Share Option Plan were approved and adopted.

- (i) Share Option Scheme

Under the Share Option Scheme, the directors or a duly authorised committee thereof which shall include the independent non-executive directors may, at their discretion, invite any employee including any executive director of any company in the Group, to take up options at HK\$1.00 per option to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and (iii) the nominal value of a share, subject to a maximum of 10% of the total number of shares in issue from time to time.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company (including the Pre-Listing Share Option Plan) shall not exceed 30% of the total number of shares in issue from time to time.

As at 31st December, 2000, no options had been granted under the Share Option Scheme.



## 20 Share capital *(continued)*

### (e) Share option schemes *(continued)*

#### (ii) Pre-Listing Share Option Plan

On 15th December, 2000, the Company granted share options under the Pre-Listing Share Option Plan to the directors of the Company and certain employees of the Group, which entitles them to subscribe for a total of 174,965,000 shares at HK\$0.82 per share. Pursuant to the Pre-Listing Share Option Plan, the 3 executive directors of the Company were granted options to subscribe for an aggregate of 132,125,000 shares in the Company and 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 shares in the Company and 56 employees were granted options to subscribe for an aggregate of 5,337,500 shares in the Company.

Each of the grantee to whom options have been granted under the Pre-Listing Share Option Plan will be entitled to exercise (i) 10% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 6 months from the Listing Date, (ii) 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, (iii) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 18 months from the Listing Date, (iv) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 24 months from the Listing Date, and (v) the remaining 20% of the options granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 30 months from the Listing Date and, in each case, not later than three years from the date of exercise of the option.

No options had been exercised, cancelled or lapsed during the period from the date of grant to 31st December, 2000.

## 21 Reserves

	Share premium HK\$'000	Other properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Reserve fund HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Group</b>									
At 1st January, 1999	—	—	—	3,994	162	—	(55)	1,173	5,274
Transfer between reserves	—	—	—	—	—	448	—	(448)	—
Exchange differences	—	—	—	—	—	—	(13)	—	(13)
Profit for the year retained	—	—	—	—	—	—	—	51,375	51,375
At 31st December, 1999	—	—	—	3,994	162	448	(68)	52,100	56,636
At 1st January, 2000	—	—	—	3,994	162	448	(68)	52,100	56,636
Premium on share issues	188,256	—	—	—	—	—	—	—	188,256
Capitalisation issue	(160,911)	—	—	—	—	—	—	—	(160,911)
Share issue expenses	(20,690)	—	—	—	—	—	—	—	(20,690)
Surplus on revaluation of other properties	—	1,111	—	—	—	—	—	—	1,111
Deficit on revaluation of non-trading securities	—	—	(4,747)	—	—	—	—	—	(4,747)
Transfer between reserves	—	—	—	—	—	1,420	—	(1,420)	—
Exchange differences	—	—	—	—	—	—	42	—	42
Profit for the year retained	—	—	—	—	—	—	—	114,415	114,415
At 31st December, 2000	6,655	1,111	(4,747)	3,994	162	1,868	(26)	165,095	174,112

	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Company</b>			
At 1st January, 2000	—	—	—
Premium arising on issue of shares for acquisition of subsidiaries pursuant to the Reorganisation	159,742	—	159,742
Premium on share issues	188,256	—	188,256
Capitalisation issue	(160,911)	—	(160,911)
Share issue expenses	(20,690)	—	(20,690)
Profit for the year retained	—	8,916	8,916
At 31st December, 2000	166,397	8,916	175,313

## 21 Reserves (continued)

Notes:

- (a) In accordance with the relevant regulations in the People's Republic of China ("PRC") applicable to wholly foreign owned enterprises, the PRC subsidiary is required to appropriate to the reserve fund an amount of not less than 10% of the amount of profit after taxation (based on figures reported in the statutory accounts). If the accumulated total of the reserve fund reaches 50% of the registered capital of the PRC subsidiary, the enterprise will not be required to make any further appropriation. The reserve fund may be used to reduce any losses incurred by the PRC subsidiary. The appropriate is made only at the year end.
- (b) Pursuant to the Companies Law (1998 Revision) of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the shareholders. At 31st December, 2000, in the opinion of the directors, the Company's reserves available for distribution to shareholders comprising share premium account and retained earnings, amounted in total to approximately HK\$175,313,000 (1999: not applicable).

## 22 Long-term liabilities

	Group	
	2000 HK\$'000	1999 HK\$'000
Secured bank loans	19,602	24,664
Obligations under hire purchase contracts	4,010	1,505
	<b>23,612</b>	26,169
Current portion of long-term liabilities	<b>(10,906)</b>	(5,663)
	<b>12,706</b>	20,506
The analysis of the above is as follows:		
Secured bank loans		
Wholly repayable within five years	16,042	17,524
Not wholly repayable within five years	3,560	7,140
	<b>19,602</b>	24,664
Obligations under hire purchase contracts		
Wholly repayable within five years	4,010	1,505
	<b>23,612</b>	26,169
Current portion of long-term liabilities	<b>(10,906)</b>	(5,663)
	<b>12,706</b>	20,506

Interest is charged on the outstanding obligations under hire purchase contracts at rates ranging from 5% to 15% (1999: 7% to 19%) per annum.

## 22 Long-term liabilities (continued)

At 31st December, 2000, the Group's secured bank loans and other borrowings were repayable as follows:

	Secured bank loans		Obligations under hire purchase contracts	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	8,525	5,104	2,381	559
In the second year	2,298	7,694	659	467
In the third to fifth year	5,219	4,726	970	479
After the fifth year	3,560	7,140	—	—
	<b>19,602</b>	<b>24,664</b>	<b>4,010</b>	<b>1,505</b>

## 23 Deferred taxation

	Group	
	2000 HK\$'000	1999 HK\$'000
At 1st January	—	2,937
Transfer to profit and loss account (note 7)	—	(2,937)
At 31st December	—	—

There was no material unprovided deferred taxation as at 31st December, 1999 and 2000.

Deferred taxation on the revaluation surplus and deficit of the properties and non-trading securities has not been quantified as this does not constitute a timing difference for deferred taxation purposes.

**24 Notes to the consolidated cash flow statement****(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2000 HK\$'000	1999 HK\$'000
Operating profit	193,042	69,899
Depreciation	5,537	3,578
Gains on disposal of fixed assets	(83)	—
Interest income	(1,936)	(1,483)
(Surplus)/deficit on revaluation of an investment property	(90)	80
(Increase)/decrease in inventories	(154,235)	53,670
Increase in trade and other receivables and prepayments	(316,425)	(109,369)
Increase in trade and other payables and accrued charges	299,307	43,034
Decrease in amounts due to directors	(698)	(269)
Decrease in amount due from a director	168	189
Decrease in amount due from a related company	25,793	6,201
Decrease in amounts due to related parties	(490)	(182)
(Decrease)/increase in amounts due to related companies	(9,354)	361
Net cash inflow from operating activities	40,536	65,709



## 24 Notes to the consolidated cash flow statement (continued)

### (b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under hire purchase contracts	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2000	80	80	3,776	141	29,134	40,797
Exchange differences	—	—	24	—	(247)	(53)
Minority interests' in share of profits and exchange reserves	—	—	1,632	3,420	—	—
Capital contribution by a minority shareholder	—	—	—	215	—	—
Cash inflows/(outflows) from financing	—	—	—	—	2,032	(12,202)
Proceeds from issue of shares	202,265	—	—	—	—	—
Share issue expenses	(20,690)	—	—	—	—	—
Dividend payable to a minority shareholder	—	—	(205)	—	—	—
Inception of hire purchase contracts	—	—	—	—	8,456	592
At 31st December, 2000	181,655	80	5,227	3,776	39,375	29,134

### (c) Major non-cash transactions

During the year, the Group entered into hire purchase contracts in respect of fixed assets with a total capital value at the inception of the contracts of HK\$8,456,000 (1999: HK\$592,000).

### (d) Analysis of balances of cash and cash equivalents

	2000 HK\$'000	1999 HK\$'000
Bank balances and cash	233,862	51,308
Bank deposits with maturity after three months from date of placement	(40,882)	(15,175)
Bills payable	(11,489)	(4,019)
Short-term bank loans and overdrafts with maturity within three months from date of drawdown	(30,484)	(17,197)
	151,007	14,917



## 25 Commitments under operating leases

At 31st December, 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Land and buildings		Office equipment	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	594	91	548	—
In the second to fifth year inclusive	759	269	—	—
	<b>1,353</b>	360	<b>548</b>	—

## 26 Related party transactions

- (a) Save as disclosed elsewhere in the accounts, significant related party transactions, which were carried out in the normal course of the Group's business and were discontinued at the Listing Date, are as follows:

	Note	2000 HK\$'000	1999 HK\$'000
Sales of mobile phones and accessories to related companies:			
— First Mobile Singapore Pte Limited ("FMS")	(i)	36,533	16,952
— Grace Global Limited	(ii)	—	44,986
— First Mobile France SA	(ii)	—	186
— United Straits Cellular International Limited	(ii)	—	11,093
Purchases of mobile phones and accessories from related companies:			
— FMS	(i)	—	6,932
— Grace Global Limited	(iii)	23,914	226,259
— First Mobile France SA	(iii)	—	1,033
— United Straits Cellular International Limited	(iii)	404,298	42,825

- (i) Sales of mobile phones and accessories to FMS were at cost for the year ended 31st December, 1999 and the six months ended 30th June, 2000. Purchases of mobile phones and accessories from FMS were at prices mutually agreed.

FMS, a former subsidiary, was disposed of to an independent third party on 30th June, 2000 and became unrelated company to the Group since that date. FMS continues to trade with the Group since 30th June, 2000 pursuant to the distribution agreement dated 30th June, 2000 which sets out the trading terms of the sales of mobile phones and related products by the Group to FMS.

## 26 Related party transactions *(continued)*

- (ii) First Mobile France SA, a former subsidiary, was disposed of to a director of a subsidiary on 5th October, 2000 pursuant to the Reorganisation.

Sales of mobile phones and accessories to related companies, except Grace Global Limited, were at cost. Sales of mobile phones and accessories to Grace Global Limited were above cost and at prices less than those charged to third party customers. The directors of the Company have confirmed that the pricing policy for these related companies in the prior year was determined taken into account the sourcing and/or financing services provided by these related companies for the Group's purchases of mobile phones and accessories from suppliers during that year.

- (iii) Purchases of mobile phones and accessories from these related companies, except First Mobile France SA, were at cost. Purchases of mobile phones and accessories from First Mobile France SA were at prices mutually agreed. These related companies acted as sourcing agents and/or financing agents of the Group for purchases of mobile phones and accessories from suppliers.

- (b) At 31st December, 2000, the Group's banking facilities of approximately HK\$113.6 million were secured by the following:

- (i) pledges and charges on fixed deposits of Mr. Ng Kok Tai of approximately HK\$2.3 million;
- (ii) legal charges over certain properties held by Mr. Ng Kok Yang, Mr. Yap Soon Lee (the brother in law of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang), Mr. Ng Lee Guan (the elder brother of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang), and Ms. Siew Ai Lian (the spouse of Mr. Ng Kok Tai);
- (iii) personal guarantees of Mr. Ng Kok Tai, Mr. Ng Kok Hong, Ms. Tan Sook Kiang (the spouse of Mr. Ng Kok Hong) and Mr. Tan Seow Seng (a director of a subsidiary of the Company); and
- (iv) a legal charge over a life policy of Mr. David Malcolm Downie, a director of a wholly-owned subsidiary of the Company.

## 27 Principal subsidiaries

The directors are of the opinion that complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries which principally affect the results or assets of the Group during the year.

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2000	1999	
<b>Direct subsidiary:</b>						
E-Tech Resources Limited	British Virgin Islands	British Virgin Islands	10,000 shares of US\$1 each	100%	—	Investment holding
<b>Indirect subsidiaries:</b>						
e-pay Asia Limited	Hong Kong	Hong Kong	20,000 shares of HK\$1 each	70%	—	Provision of e-pay services
Exquisite Model Sdn. Bhd.	Malaysia	Malaysia	1,000,000 ordinary shares of RM1 each	100%	100%	Trading of mobile phones
First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500 shares of P1 each	100%	—	Trading and distribution of mobile phones
First E-Pro Limited (formerly E-Pro Limited)	Hong Kong	Hong Kong	10,000 shares of HK\$1 each	100%	—	Investment holding
First E Wap Limited (formerly Canton Skill Investment Limited)	Hong Kong	Hong Kong	2 shares of HK\$1 each	100%	—	Provision of WAP solution services
First Mobile Group Sdn. Bhd.	Malaysia	Malaysia	500,000 ordinary shares of RM1 each	100%	100%	Trading and distribution of mobile phones
First Mobile (North China) Limited	Hong Kong	Hong Kong	15,000 shares of HK\$1 each	100%	100%	Investment holding

## 27 Principal subsidiaries (continued)

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2000	1999	
<b>Indirect subsidiaries (continued):</b>						
First Mobile UK Limited	United Kingdom	United Kingdom	10,500 ordinary shares of GBP1 each	100%	100%	Trading of mobile phones
FirstNet.Com Limited	Hong Kong	Hong Kong	100 shares of HK\$1 each	100%	—	Provision of internet content and operation of Cyber Outlets
First Telecom International (Australia) Pty Limited	Australia	Australia	1,000 shares of AUD1 each	100%	—	Trading and distribution of mobile phones
First Telecom International Limited	Hong Kong	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Trading and distribution of mobile phones
			3,019,944 non-voting deferred shares of HK\$1 each	—	—	
Freedomobile Limited (formerly First 4 Mobile Limited)	United Kingdom	United Kingdom	1 ordinary share of GBP1	100%	—	Trading of mobile phones
Mobile Distribution (M) Sdn. Bhd. (formerly Easy Dial Sdn. Bhd.)	Malaysia	Malaysia	200,000 ordinary shares of RM1 each	100%	100%	Trading and distribution of mobile phones

**27 Principal subsidiaries** *(continued)*

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2000	1999	
<b>Indirect subsidiaries</b> <i>(continued)</i> :						
Shanghai Fast Telcon Equipment International Trading Co., Ltd.	The People's Republic of China	The People's Republic of China	US\$500,000	<b>100%</b>	100%	Trading and distribution of mobile phones
Starcom Pacific Limited	British Virgin Islands	British Virgin Islands	2 shares of US\$1 each	<b>100%</b>	—	Investment holding
Unitech Pacific Limited	British Virgin Islands	British Virgin Islands	3 shares of US\$1 each	<b>100%</b>	—	Investment holding
Viscocom Sdn. Bhd. <sup>#</sup>	Malaysia	Malaysia	250,002 ordinary shares of RM1 each	<b>50%</b>	50%	Trading and distribution of mobile phones

# The Group is able to control the composition of the board of directors of Viscocom Sdn. Bhd. and accordingly this company is regarded as a subsidiary of the Company.

**28 Approval of accounts**

The accounts were approved by the board of directors on 19th March, 2001.

# > Financial Summary

## Combined Results

	1998 HK'000	1999 HK'000	2000 HK'000
Turnover	1,851,024	1,622,613	<b>3,124,388</b>
Operating profit/(loss)	(6,141)	69,899	<b>193,042</b>
Finance costs	(16,458)	(11,772)	<b>(11,011)</b>
Profit/(loss) before taxation	(22,599)	58,127	<b>182,031</b>
Taxation	2,787	(3,332)	<b>(35,984)</b>
Profit/(loss) after taxation	(19,812)	54,795	<b>146,047</b>
Minority interests	(100)	(3,420)	<b>(1,632)</b>
Profit/(loss) attributable to shareholders	(19,912)	51,375	<b>144,415</b>
Dividend	(3,000)	—	<b>(30,000)</b>

## Combined Assets and Liabilities

	1999 HK\$'000	2000 HK\$'000
Non-current assets	53,825	<b>67,949</b>
Current assets	238,909	<b>864,133</b>
Current liabilities	211,736	<b>565,037</b>
Non-current liabilities	20,506	<b>12,706</b>
Shareholders' funds	56,716	<b>349,112</b>

### Notes:

1. The Company was incorporated in the Cayman Islands on 5th May, 2000 and became the holding company of the companies comprising the Group on 15th December, 2000 as a result of a group reorganisation. Accordingly, the only balance sheets for the Group that have been prepared are those set out on pages 44 and 45 of the accounts.
2. The results of the Group for each of the two years ended 31st December, 1999 and 1998 presented above have been extracted from the Company's prospectus dated 20th December, 2000 when the listing of the Company's shares was sought on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
3. The results for the year ended 31st December, 2000 have been extracted from the consolidated profit and loss account as set out on page 43 of the accounts.
4. The financial summary of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group immediately after the completion of the group reorganisation had been in existence throughout the three years ended 31st December, 2000.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the First Annual General Meeting (“ Meeting”) of First Mobile Group Holdings Limited (the “ Company”) will be held at Charter III, Basement 1, The Ritz Carlton Hotel, 3 Connaught Road Central, Hong Kong on Wednesday, 25th April, 2001 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2000;
2. To re-elect retiring directors and to authorise the board of directors to fix the directors’ fees;
3. To re-appoint the auditors and to authorise the board of directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass the following resolutions (“ Resolutions”) which will be proposed as ordinary resolutions:

## ORDINARY RESOLUTIONS

(1) “ **THAT:**

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “ GEM Listing Rules”), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares upon the exercise of subscription rights attaching to any existing warrants issued by the Company; or (iii) an issue of shares in the Company upon the exercise of options which may be granted under the Pre-Listing Share Option Plan (as approved by an Ordinary Resolution passed on 15th December, 2000) or any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company; or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company; or (v) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the nominal value of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and



(d) for the purposes of this Resolution:—

“ Relevant Period ” means the period from the passing of this Resolution until whichever is the earlier of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution; and

“ Rights Issue ” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of shareholders of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

(2) **“ THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company, including to determine the manner of repurchase, to repurchase shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “ Stock Exchange ”) or on any other stock exchange on which the shares of the Company may be listed which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules (as defined in Resolution No.(1) set out in item 4 of the notice of this meeting) or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of the shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the nominal value of the share capital of the Company in issue at the date of the passing of this Resolution and the authority granted pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution, “ Relevant Period ” means the period from the passing of this Resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
  - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution.”



- (3) “**THAT** conditional upon the Resolutions Nos.(1) and (2) set out in item 4 of the notice of this meeting being passed, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Resolution No.(1) set out in item 4 of the notice of this meeting be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No.(2) set out in item 4 of the notice of this meeting, provided that such extended amount shall not exceed 10 per cent. of the nominal value of the share capital of the Company in issue at the date of the passing of this Resolution.”

By order of the Board  
**Chan Kwok Keung**  
*Company Secretary*

Hong Kong, 19th March, 2001

***Principal place of business:***

Suite 1919-1923, 19th Floor,  
Grandtech Centre,  
8 On Ping Street,  
Shatin, New Territories,  
Hong Kong

***Notes:***

1. In order to qualify for attending the forthcoming Meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited, 2401, Prince's Building, 10 Chater Road, Central, Hong Kong not less than 48 hours before the appointed time for holding the Meeting.
2. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.
3. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited, 2401, Prince's Building, 10 Chater Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
4. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the Meeting if the shareholder so desires.
5. An explanatory statement containing further details regarding Ordinary Resolution No.(2) set out in item 4 of the notice of this Meeting as required by the GEM Listing Rules will be dispatched to the shareholders of the Company together with the 2000 annual report.