

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



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CHARACTERISTICS OF THE 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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

HIGHLIGHTS

For the three months ended 31st March, 2001, First Mobile Group Holdings Limited and its subsidiaries have performed satisfactorily. Highlights of this quarter's unaudited results are as follows:

- Achieved a turnover of approximately HK\$1,035 million, representing an increase of 76% over the same period of 2000
- Gross profit was approximately HK\$67 million, an increase of 36% over the same period of 2000
- Profit attributable to shareholders was approximately HK\$37 million, an increase of 38% over the same period of 2000
- Earnings per share was HK2.1 cents
- Sold approximately 1 million units of mobile phones

RESULTS

The Directors of First Mobile Group Holdings Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March, 2001 (the "Period") together with the unaudited comparative figures for the three months ended 31st March, 2000:

Unaudited Consolidated Profit and Loss Account

For the three months ended 31st March, 2001

		From 1st January, 2001 to 31st March, 2001	From 1st January, 2000 to 31st March, 2000
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	1,035,464	586,955
Cost of sales		(968,238)	(537,683)
Gross profit		67,226	49,272
Other revenues	2	1,366	154
Distribution costs		(1,736)	(675)
Selling, general and administrative expenses		(30,480)	(14,604)
Other operating income, net	3	9,901	4,769
Operating profit		46,277	38,916
Finance costs		(2,246)	(1,928)
Profit before taxation		44,031	36,988
Taxation	4	(7,480)	(8,969)
Profit after taxation		36,551	28,019
Minority interests		600	(1,033)
Profit attributable to shareholders		37,151	26,986
Basic earnings per share	6	HK2.1 cents	HK1.9 cents

Unaudited Consolidated Net Tangible Assets

As at 31st March, 2001

		As at 31st March, 2001 HK\$'000	As at 31st March, 2000 HK\$'000
Net tangible assets	8	<u>385,965</u>	<u>83,958</u>

Notes:

1. Group reorganisation and basis of preparation

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 GEM of the Exchange, the Company became the holding company of the companies comprising the Group. The shares of the Company were listed on GEM of the Exchange on 29th December, 2000 (the "Listing Date").

The Reorganisation has been reflected in these accounts by regarding the Group as a continuing group. The consolidated accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the period from 1st January, 2000 to 31st March, 2001 or from the respective date of incorporation/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.

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

2. 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 value-added tax where applicable. Revenues recognised during the Period are as follows:

	From 1st January, 2001 to 31st March, 2001 HK\$'000	From 1st January, 2000 to 31st March, 2000 HK\$'000
Turnover		
Revenue from sales of mobile phones and accessories, net	1,035,464	586,955
Other revenues		
Interest income	1,348	136
Gross rental income from an investment property	18	18
	1,366	154
Total revenues	1,036,830	587,109

3. Other operating income, net

Other operating income, net mainly comprised exchange differences and loss on disposals of fixed assets.

4. Taxation

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	From 1st January, 2001 to 31st March, 2001 HK\$'000	From 1st January, 2000 to 31st March, 2000 HK\$'000
Hong Kong profits tax (<i>note (i)</i>)	3,461	2,030
Overseas taxation (<i>note (iii)</i>)	4,723	6,939
Deferred tax credit (<i>note (iii)</i>)	(704)	—
	7,480	8,969

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the Period.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the Period at the rates of taxation prevailing in the countries in which the Group operate.
- (iii) The deferred tax credit has been recognised in respect of tax losses of a subsidiary in the United Kingdom (2000: nil).

5. Dividend

The Directors of the Company do not recommend the payment of an interim dividend for the Period (2000: nil).

6. Earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$37,151,000 and on the weighted average number of 1,750,000,000 shares in issue during the Period.

The comparative earnings per share is calculated based on the profit attributable to shareholders of HK\$26,986,000 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, 2000.

Diluted earnings per share is not presented as the Company has no dilutive potential ordinary shares for the Period (2000: nil).

7. Movements in reserves

Movements in the reserves of the Group during the Period are set out below:

	Other								Total	
	Share premium	properties revaluation		Investments revaluation	Merger reserve	Capital reserve	Reserve fund #	Exchange reserve		Retained earnings
		reserve	reserve							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2000	—	—	—	3,994	162	448	(68)	52,100	56,636	
Exchange differences	—	—	—	—	—	—	256	—	256	
Profit for the period retained	—	—	—	—	—	—	—	26,986	26,986	
At 31st March, 2000	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,994</u>	<u>162</u>	<u>448</u>	<u>188</u>	<u>79,086</u>	<u>83,878</u>	
At 1st January, 2001	6,655	1,111	(4,747)	3,994	162	1,868	(26)	165,095	174,112	
Exchange differences	—	—	—	—	—	—	(298)	—	(298)	
Profit for the Period retained	—	—	—	—	—	—	—	37,151	37,151	
At 31st March, 2001	<u>6,655</u>	<u>1,111</u>	<u>(4,747)</u>	<u>3,994</u>	<u>162</u>	<u>1,868</u>	<u>(324)</u>	<u>202,246</u>	<u>210,965</u>	

In accordance with the relevant regulations in the People's Republic of China (the "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 appropriation is made only at 31st December.

8. Net tangible assets

	2001 HK\$'000	2000 HK\$'000
Opening net tangible assets of the Group as at 1st January	349,112	56,716
Profit attributable to shareholders for the three months ended 31st March	37,151	26,986
Movements in exchange reserve	<u>(298)</u>	<u>256</u>
Closing net tangible assets of the Group as at 31st March	<u>385,965</u>	<u>83,958</u>

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the distribution of a wide variety of brands of mobile phones and related accessories in the Asia Pacific region. The Group has successfully emerged as one of the leading distributors of mobile phone products with an enviable range of products from renowned manufacturers like Siemens, Samsung, Alcatel, Kyocera, Sagem and Philips. Besides, the Group has established strong distribution networks in Mainland China, Hong Kong, Malaysia, the Philippines, United Kingdom (the "UK") and Australia.

The Group's first quarterly results for the year 2001 were very encouraging. The Group recorded a turnover of approximately HK\$1,035 million, an increase of 76% over the same period of 2000. Gross profit has increased 36% to approximately HK\$67 million. Profit attributable to shareholders has increased 38% to approximately HK\$37 million. During these three months, the Group has sold approximately 1 million units of mobile phones. With the steady increase in the number of distribution rights and the range of models for sale, the Group performed well in various aspects.

Mobile Phone Distribution

It is one of our goals to acquire more distribution rights from up and coming mobile phone manufacturers. During the period under review, the Group has secured distribution rights of Alcatel mobile phones in Mainland China and the Philippines. The Group acquired sole/non-exclusive distribution rights of Alcatel OT303 in Mainland China and non-exclusive distribution rights of Alcatel OT300, OT501, and OT701 in the Philippines. With Alcatel added to our product portfolio, the Group now has the most extensive brandname collection in the region. Reputable brandnames distributed by the Group include Siemens, Samsung, Alcatel, Kyocera, Sagem and Philips. The Group will continue to seek more potential exclusive or non-exclusive distribution rights

to further broaden its product mix, so as to enhance overall profitability and to further strengthen our leading position in the mobile phone distribution arena.

e-pay Asia Limited

e-pay Asia Limited is a joint venture established in July 2000 with e-pay Limited, a UK company providing an electronic solution for distribution of pre-pay mobile airtime, removing the need for mobile service operators to print and distribute physical vouchers.

e-pay Asia (Phils.), Inc., a subsidiary of e-pay Asia Limited, will start trial run with a mobile operator partner at the end of May 2001 in the Philippines. At launch, e-pay Asia (Phils.), Inc. will be the service provider of one of the top two mobile operators for its airtime electronic distribution. This dominant mobile operator has over 40% market share in terms of number of subscribers. In addition, we are also in close discussion with several prominent landline providers and internet service providers on accrediting e-pay Asia (Phils.), Inc. to provide electronic distribution solutions for their pre-pay services. At the same time, more than 30 popular retail chains have committed to be e-pay service outlets. Retailers such as YKL/Fuji Films, American Home Video, Coffee California etc., are on the list. Commercial launch is expected in the second quarter of 2001.

Besides the Philippines, discussion is underway with various operators in the Asia Pacific region. To prepare for the launch of service in various countries, the Group is actively recruiting and training staff for sales and technical support. In the long run, e-pay service will open up another revenue stream for the Group.

Geographical Expansion

In order to extend market reach in the Asia Pacific region and to broaden the Group's profit base, the Group continues to explore new markets in Asia. The Group targets to start an operation in India in the near future and is now carrying out market researches to find out the best channel to enter the market.

We believe that India has the second largest growth potential after Mainland China. Mobile penetration rate was still very low at approximately 0.3%, with only a total of 3.4 million mobile subscribers as of February 2001. The Indian market is expected to grow to 50 million subscribers by 2005. At least 46 million units of mobile phones are expected to be sold for the next four years. These figures reflect a promising trend of substantial growth. The Directors believe that India will be one of the largest markets in Asia Pacific. Thus, the Group will actively establish its sales network in order to pave the way for the anticipated exponential growth in this country.

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely pre-listing share option plan ("Pre-Listing Share Option Plan") and 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 Company's prospectus in connection with placing of the Company's shares dated 20th December, 2000.

(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 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 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 March, 2001, 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 recognize 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 (where details are disclosed in the section of "Directors' and Chief Executive's Interests in Securities"), 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

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.

Options to subscribe for an aggregate of 481,250 Shares in the Company lapsed during the Period due to the resignation of 5 employees. As at 31st March, 2001, there are options remaining to subscribe for an aggregate of 174,483,750 Shares. This comprised options to subscribe for an aggregate of 132,125,000 Shares granted to the 3 executive Directors of the Group, options to subscribe for an aggregate of 37,502,500 Shares granted to 11 senior management staff and options to subscribe for an aggregate of 4,856,250 Shares granted to 51 employees.

No options had been exercised or cancelled during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March, 2001, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's Directors, chief executive or their associates were as follows:

(a) Shares in the Company

(Shares of HK\$0.10 each)

Name of Director	Personal interests	Number of shares		Total
		Family interests <i>(note (i))</i>	Corporate interests <i>(note (ii))</i>	
Ng Kok Hong	596,766,389	9,088,625	—	605,855,014
Ng Kok Tai	—	—	596,766,389	596,766,389
Ng Kok Yang	146,944,889	—	—	146,944,889
Wu Wai Chung, Michael	787,500	—	—	787,500
Sze Tsai To, Robert	787,500	—	—	787,500

Notes:

- (i) These shares are held by Tan Sook Kiang, the spouse of Ng Kok Hong, and therefore 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 Ng Kok Tai and as to 50% by Siew Ai Lian, the spouse of Ng Kok Tai. Ng Kok Tai is deemed by virtue of the SDI Ordinance to be interested in these shares.

Save as disclosed above, as at 31st March, 2001, none of the Directors, chief executive or their associates had any interests in the share capital of the Company.

(b) First Telecom International Limited:

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

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

Note:

These shares are held by Tan Soon Kiang, the spouse of Ng Kok Hong, and therefore 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:

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

Note:

The option to subscribe for 875,000 shares in the Company was granted to Siew Ai Lian, the spouse of Ng Kok Tai. 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 under the Pre-Listing Share Option Plan and are exercisable at HK\$0.82 per share. None of the above Pre-Listing share options have been exercised during the Period.

Save as disclosed above, as at 31st March, 2001, 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 Period was the Company or its subsidiaries a party to any arrangement to enable the Directors (including their spouses 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 and chief executive as disclosed above, as at 31st March, 2001, 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.

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

During the Period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 March, 2001, the amount of approximately HK\$173,540,000 due from 上海頂一電訊設備有限公司, 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 45.0% of the net tangible assets of the Group. The corresponding amount as at 31st December, 2000, being the balance last disclosed, was approximately HK\$145,518,000, which represented 41.7% of the net tangible assets of the Group as at that date. Both amounts due are trade receivables which are unsecured, interest free and have normal terms of settlement.

SPONSOR'S INTERESTS

The interests of Kingsway Capital Limited ("Kingsway") in the share capital of the Company as at 31st March, 2001 are summarised below:

	As at 31st March, 2001	
	Number of Shares	Percentage of the issued share capital of the Company
Kingsway	Nil	Nil
Kingsway's employees (excluding directors)	Nil	Nil
Kingsway's directors	12,365,500	0.7%
Kingsway's associates	77,307,250	4.4%
Total	<u>89,672,750</u>	<u>5.1%</u>

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 March, 2001, 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 have received and will receive for 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.

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 March, 2001, 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, two audit committee meetings were held for reviewing the Company's annual report and quarterly report, and providing advices and recommendations to the board of Directors.

By Order of the Board

Ng Kok Hong

Executive Chairman

Hong Kong, 14th May, 2001



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