

FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司



monday



thursday

wednesday

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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.

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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 six months ended 30th June, 2001, First Mobile Group Holdings Limited and its subsidiaries have performed satisfactorily. Highlights of the six months' performance are as follows:

- The Group achieved a turnover of approximately HK\$2,380 million, representing an increase of 106% over the same period of 2000
- Gross profit was approximately HK\$153 million, an increase of 25% over the same period of 2000
- Profit for the period was approximately HK\$66 million
- Basic earnings per share was HK3.8 cents
- Sixteen new models of Samsung, Alcatel, Sagem and Philips were added to the extensive product portfolio. The Group is the largest regional mobile phone distributor in Asia Pacific, carrying the most extensive brandname collection
- Exceeded corporate target and sold approximately 2 million units of mobile phones
- Proposed interim dividend is HK1 cent per share

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 and the six months ended 30th June, 2001 (the "Periods") together with the unaudited comparative figures for the three months and the six months ended 30th June, 2000:

Unaudited Consolidated Profit and Loss Account

For the three months and the six months ended 30th June, 2001

	Note	Six months ended 30th June,		Three months ended 30th June,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	2,380,319	1,156,618	1,344,855	569,663
Cost of sales		(2,227,600)	(1,034,067)	(1,259,362)	(496,384)
Gross profit		152,719	122,551	85,493	73,279
Other revenues	2	2,560	664	1,194	510
Distribution costs		(3,295)	(1,467)	(1,559)	(792)
Selling, general and administrative expenses		(69,115)	(37,545)	(38,635)	(22,941)
Other operating income/ (expenses), net	3	7,079	4,725	(2,822)	(44)
Operating profit		89,948	88,928	43,671	50,012
Finance costs		(5,276)	(4,323)	(3,030)	(2,395)
Profit before taxation		84,672	84,605	40,641	47,617
Taxation	4	(17,900)	(18,123)	(10,420)	(9,154)
Profit after taxation		66,772	66,482	30,221	38,463
Minority interests		(442)	(1,696)	(1,042)	(663)
Profit for the period		66,330	64,786	29,179	37,800
Dividend	5	17,500	—	17,500	—
Earnings per share	6				
— Basic		HK 3.8 cents	HK 4.5 cents	HK 1.7 cents	HK 2.6 cents
— Diluted		HK 3.7 cents	Not applicable	HK 1.7 cents	Not applicable

Unaudited Consolidated Net Tangible Assets

As at 30th June, 2001

	Note	As at 30th June, 2001 HK\$'000	As at 30th June, 2000 HK\$'000
Net tangible assets	8	<u>416,248</u>	<u>119,330</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 30th June, 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 present more fairly the results 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 Periods were as follows:

	Six months ended 30th June,		Three months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover				
Revenue from sales of mobile phones and accessories, net	<u>2,380,319</u>	<u>1,156,618</u>	<u>1,344,855</u>	<u>569,663</u>
Other revenues				
Interest income	2,524	628	1,176	492
Gross rental income from an investment property	36	36	18	18
	<u>2,560</u>	<u>664</u>	<u>1,194</u>	<u>510</u>
Total revenues	<u>2,382,879</u>	<u>1,157,282</u>	<u>1,346,049</u>	<u>570,173</u>

3. Other operating income/(expenses), net

Other operating income/(expenses), net mainly comprised exchange differences.

4. Taxation

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

	Six months ended 30th June,		Three months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax (note (i))	6,654	7,226	3,193	5,196
Overseas taxation (note (ii))	12,288	10,897	7,565	3,958
Deferred tax credit (note (iii))	(1,042)	—	(338)	—
	<u>17,900</u>	<u>18,123</u>	<u>10,420</u>	<u>9,154</u>

Notes:

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

5. Dividend

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Interim, proposed, of HK1 cent (2000: nil) per share	<u>17,500</u>	<u>—</u>

6. Earnings per share

Basic earnings per share for the three months and the six months ended 30th June, 2001 are calculated based on the profit for the period of approximately HK\$29,179,000 and HK\$66,330,000 respectively and on the weighted average number of 1,750,000,000 shares in issue during these periods.

The comparative basic earnings per share for the three months and the six months ended 30th June, 2000 are calculated based on the profit for the period of approximately HK\$37,800,000 and HK\$64,786,000 respectively 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.

The diluted earnings per share for the three months and the six months ended 30th June, 2001 are calculated based on 1,753,480,838 and 1,771,469,985 shares which are the weighted average number of shares in issue during these periods plus the weighted average of 3,480,838 and 21,469,985 shares deemed to be issued at no consideration if all outstanding options had been exercised.

The Company had no dilutive shares for the three months and the six months ended 30th June, 2000. Accordingly, no diluted earnings per share is presented for these periods.

7. Movements in reserves

Movements in the reserves of the Group during the three months ended 30th June, 2000 and 2001 are set out below:

	2001								2000	
	Other		Investments	Merger	Capital	Reserve	Exchange	Retained	Total	Total
	properties	revaluation								
	premium	reserve	reserve	reserve	reserve	(note (i))	reserve	(note (ii))	HK\$'000	HK\$'000
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st April	6,655	1,111	(4,747)	3,994	162	1,868	(324)	202,246	210,965	83,878
Exchange differences	—	—	—	—	—	—	1,104	—	1,104	(373)
Deficit on revaluation of non-trading securities	—	—	—	—	—	—	—	—	—	(2,055)
Profit for the period	—	—	—	—	—	—	—	29,179	29,179	37,800
At 30th June	<u>6,655</u>	<u>1,111</u>	<u>(4,747)</u>	<u>3,994</u>	<u>162</u>	<u>1,868</u>	<u>780</u>	<u>231,425</u>	<u>241,248</u>	<u>119,250</u>

Notes:

- (i) 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.
- (ii) Retained earnings as at 30th June, 2001 is analysed below:

	HK\$'000
Retained earnings	213,925
Interim dividend proposed	17,500
	<u>231,425</u>

8. Net tangible assets

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Opening net tangible assets of the Group as at 1st April	385,965	83,958
Profit for the three months ended 30th June	29,179	37,800
Movements in exchange reserve	1,104	(373)
Deficit on revaluation of non-trading securities	—	(2,055)
	<hr/>	<hr/>
Closing net tangible assets of the Group as at 30th June	416,248	119,330
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INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1 cent per share, or a total of HK\$17,500,000 for the six months ended 30th June, 2001. The dividend will be payable on 22nd October, 2001 to members whose names are on the register of members of the Company on 5th October, 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3rd October, 2001 to Friday, 5th October, 2001, both days inclusive, during which period no transfer of shares may be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong (as from 10th September, 2001 at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong) for registration, not later than 4:00 p.m. on Friday, 28th September, 2001.

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. For the six months ended 30th June, 2001, turnover of the Group continued to increase and reached approximately HK\$2,380 million, representing a growth of 106% over the same period of 2000. The Group has exceeded its first half-yearly sales target of 1.5 million units of mobile phones reaching 2 million units, an increase of approximately 2 times over the same period of 2000. The Group was able to maintain similar level of profit margin when compared to the first quarter of 2001.

Mobile Phone Distribution

The Group markets mobile products via its strong distribution network covering five regions: Mainland China, Hong Kong, Malaysia, the Philippines and the United Kingdom (the "U.K.").

During the first half of year 2001, the Group added many models to its product portfolio. The Group secured distribution rights of sixteen new models of Samsung, Alcatel, Sagem

and Philips. First Mobile is pleased to report that all of the new models have been well received in the Asia Pacific region.

The Board of Directors are pleased to report the following new developments in various regions during the period under review.

Mainland China

Mainland China, one of the Group's largest markets, increased its turnover substantially. Leveraging on the Group's distribution capability, our products cover hundreds of major cities in Mainland China.

During the period under review, the Group acquired sole/non-exclusive distribution right of Alcatel OT303 in Mainland China. For the launch of Alcatel OT303, the Group organized a series of sales promotions together with the manufacturer and local dealers, which have been well received by customers. Market share of Alcatel increased from less than 1% in September 2000 to 3.6% in June 2001. At the same time, one of our represented brands, Siemens, has also become one of the top 3 brands in Mainland China. The Group has been able to capitalize on the strong growth in mobile phone industry and of the brands it represents in Mainland China and recorded substantial gains in revenue and market share.

Malaysia

The Group acquired exclusive rights of four new Samsung models namely SGH-A110, M100, N100 and A200. Through our extensive distribution network and marketing efforts, Samsung is now one of the top 3 brands in Malaysia and currently enjoys a 13% market share. The Group also acquired non-exclusive rights of Sagem MW-956, 936, 959, 930, 3020, WA3050, Philips 9@9 and Ozeo.

In addition to the traditional mobile phone distribution, we also focused on corporate sales to broaden our sales channel and revenue. The Group's Corporate Marketing Department was set up in July 2000. The department currently has 20 staff handling various portfolios including special projects, agent sales, direct sales and corporate sales. Our Malaysian subsidiaries have succeeded in launching tie-up programmes with several major local and foreign financial institutions, as well as multi-national companies.

The Philippines

During the period under review, the Group acquired non-exclusive rights of Alcatel OT-300, 501 and 701. The operation in the Philippines has started setting up its Corporate Sales Department to handle projects and post-pay subscriptions sales. It plans to build and expand relationships in the corporate world with the objective of generating more revenues.

The U.K.

Freedomobile Limited, a subsidiary of the Group which is engaged in direct marketing, has expanded the scale of its Call Center by adding a new 8,000 sq. ft. site in Bradford, West Yorkshire. This is a dedicated sales and training center now employing 60 sales agents and supervisors. In May 2001, we also added to our portfolio the non-exclusive right of Vodafone connection via their service provider, Cellular Operations Limited.

Distribution Rights for Various Models (as at 30th June, 2001)

	Model	Hong Kong	Mainland China	Malaysia	The Philippines	Australia
Siemens	SL45/ 6688	non-exclusive	sole/ non-exclusive	sole/ non-exclusive	non-exclusive	
	A36/ 1118	non-exclusive	non-exclusive	sole/ non-exclusive	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
Samsung	SGH-600/ 800/ 2400/ A100/ N100/ A200/ M100/ A110			exclusive		
Alcatel	OT303 OT-300/ 501/ 701		sole/ non-exclusive		non-exclusive	
Kyocera	TG200	exclusive	exclusive	non-exclusive	non-exclusive	
Sagem	MC-930/ 920/ 912 MW-956/ 936/ 959/ 930/ 3020 WA3050			non-exclusive		
Philips	898/ 939/ 9@9/ Ozeo			non-exclusive		

e-pay Asia Limited

e-pay Asia Limited is a joint venture with e-pay Limited, a U.K. 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, started a trial run in June 2001 with the largest landline provider, Philippines Long Distance Telephone Company (PLDT), which has more than 95% market share in the Philippines. The trial run also started with several internet service providers - PhilWeb, Digitel Gas, Infocom, Jade and Surfshop. This innovative, efficient and secure solution has been well accepted by service providers, retailers and consumers from the start. Commercial launch is expected in the third quarter of 2001.

Future Plans and Prospects

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 months in order to capitalize on the organic growth in telecom industry in the region. In the third quarter of 2001, we will acquire distributorship in Mainland China from Panasonic, which is one of the leading brands in Japan. With the new brand adding to our collection, the Group has the most comprehensive and diversified product portfolio. This extensive product portfolio allows us to capitalize on the purchase potential of all market segments and lead in a competitive position over our competitors. The Group will continue to benefit from this solid and satisfactory growth in sales and earnings.

e-pay Asia Limited

The pre-pay market began to bloom in several countries in the Asia Pacific region in 2000, notably the Philippines and Mainland China. In the Philippines, the growth of pre-pay subscribers is projected at about 40% per year whilst growth is over 20% per month in Mainland China. In order to be well-prepared for the opportunities in Mainland China, our technical team has started the development of a Chinese software for e-pay service.

Being one of the first pre-pay solution providers in the Asia Pacific region, e-pay Asia Limited aims to become the leading electronic distribution provider in the region. The Directors are confident that e-pay Asia Limited will create valuable contributions to the Group and meet the expectation of shareholders.

Geographical Expansion

The Directors believe that India is an emerging and promising market. According to market statistics, India has the second largest growth potential after Mainland China. In June 2001 the Chief Executive Officer of India was recruited. The Group is in the process of setting up a company in Mumbai to start off business in India. Business and strategic plans are now being prepared to determine the most effective way of entering the Indian market. Leveraging on the Group's core competence, the Directors are confident that our Indian operation will further enhance our market coverage in Asia and bring valuable assets in the future.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the Group's actual business progress to date compared with the business objectives set out in the Company's prospectus dated 20th December, 2000 (the "Prospectus") for the period from 1st January, 2001 to 30th June, 2001.

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
Mobile phone distribution business		
Business development	Target to achieve half-yearly mobile phone sales to approximately 1.5 million sets	The Group has exceeded the corporate target by 33%. Approximately 2 million units were sold in the first half of 2001.
	To set up telemarketing call centre in Australia	Australian operation has started exploring opportunities in setting up a call centre.
	To identify mobile phone retailers in the U.K. and the PRC as business partners	Management has held several initial discussions with potential partners in the U.K.. The Group has identified one potential candidate in the PRC and is in the early stage of discussion for a partnership.
Establishment of new offices/centres	3 customer care centres	The Group established a new customer care centre in Malaysia and is in the process of identifying additional suitable locations.

Product range	Launch 3-5 new models of mobile phones of various brands	In the first half of 2001, the Group acquired distribution rights of 16 models. The Group secured sole/non-exclusive distribution right of Alcatel OT303 in the PRC, non-exclusive distribution rights of Alcatel OT-300, 501, 701 in the Philippines and exclusive distribution rights of Samsung SGH-A110, M100, N100, A200, non-exclusive rights of Sagem MW-956, 936, 959, 930, 3020, WA3050, Philips 9@9 and Ozeo in Malaysia.
Staff deployment	10 additional staff to provide after-sales services in the PRC	Recruitment is delayed due to the need to match with schedule of establishment of customer care centres.

e-pay Asia Limited

e-pay Terminals

Business development	Reach agreements with network operators in Hong Kong, the Philippines and Singapore for adoption of the e-pay Terminals as authorised payment channels for their services	e-pay Asia (Phils.), Inc. has started a trial run and will commercially launch e-pay service in the third quarter. Various discussions with operators in Hong Kong and Singapore were conducted.
	Explore additional applications of e-pay Terminals as Internet shopping and electronic payment platforms	Various discussions were held with pre-pay service providers to explore opportunities.

	Reach agreement with network operator(s) to install e-pay terminals in retail stores in major cities in the PRC	Negotiation will start upon completion of the Chinese software.
Establishment of new offices	Set up offices in the PRC	The Group is now focusing on Chinese software development. Offices will be established in the PRC when commercial discussions start.
Total establishments	2,000 - 4,000 terminals	It is in the initial stage of trial run. Commercial launch is scheduled in the third quarter.

FirstNet.Com Limited

Virtual B2B2C network

Business development	Assist website owners to set up 2 licensed sites in 2 major cities in the PRC and 1 additional Asia Pacific Region	The Group continues to look for opportunities to provide technical assistance to other websites in the PRC.
	Identify local mobile phone dealers and/or retail shops as B2B partners in major cities in the PRC	Discussions with our target partners are taking place. No agreement has been reached due to the rapid change of e-business environment.
Contents/functions	Assist website owners to extend the e-commerce function for B2B purpose	The Group continues to look for opportunities to provide e-commerce service to other websites.
Staff deployment	1 additional staff for developing web contents	A more cautious approach has been taken towards expansion of FirstNet.Com Limited. Recruitment of new staff has been put on hold.

CyberOutlets

Business development	Identify business partners, preferably electronics manufacturers, for the production of CyberOutlets in major cities in Malaysia, the PRC and the Philippines as test points	Discussions with potential partners were held in Malaysia, the Philippines and the PRC.
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First E Wap Limited**WAP solution services**

Business development	Set up WAP technical teams in Malaysia, Hong Kong, the PRC and the Philippines	A more cautious approach has been taken towards WAP solutions business due to the sluggish development in the WAP market. Recruitment has been put on hold. However, the Group is exploring opportunities in the mobile games market.
	Extend strategic alliances with regional technology providers and Internet content providers	Same as above
Customer base	Establish websites of commercial organisations and content providers	Same as above
Range of services/products	Provide WAP enabling and consultancy services to established websites	Same as above

USE OF NET PROCEEDS FROM THE PLACING

	Cumulative amount to be used up to 30th June, 2001 as stated in the Prospectus <i>HK\$'000</i>	Actual amount used up to 30th June, 2001 <i>HK\$'000</i>
Marketing and promotional activities	4,600	3,700
Strategic alliance programs in the PRC	1,100	—
Expansion in the U.K. telemarketing call centre business	15,800	16,500
Rollout of e-pay Terminals	15,700	10,000
Rollout of CyberOutlets	2,000	—
	<u>39,200</u>	<u>30,200</u>

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.

(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 30th June, 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 656,250 Shares in the Company lapsed during the six months ended 30th June, 2001 due to the resignation of employees. As at 30th June, 2001, there are options remaining to subscribe for an aggregate of 174,308,750 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 4,681,250 Shares granted to 50 employees.

No options had been exercised or cancelled during the Periods.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June, 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 (note (i))	Corporate interests (note (ii))	
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 30th June, 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	Personal interests	Number of shares		Total
		Family interests (Note)		
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 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.

(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 Periods.

Save as disclosed above, as at 30th June, 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 Periods 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 30th June, 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 Periods, 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 30th June, 2001, the amount of approximately HK\$201,969,000 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 48.5% of the net tangible assets of the Group. The corresponding amount as at 31st March, 2001, being the balance last disclosed, was approximately HK\$173,540,000, which represented 45.0% 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 30th June, 2001 are summarised below:

	As at 30th June, 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	135,831,250	7.8%
Total	<u>148,196,750</u>	<u>8.5%</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 30th June, 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 30th June, 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. On 13th August, 2001, Mr. Wong Tin Sang Patrick, an independent non-executive Director, was also appointed a member of the audit committee.

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

By Order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 13th August, 2001