

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



Mastering the Mobile Arena

ANNUAL REPORT 2001 二零零一年年報

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.

香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）的特色

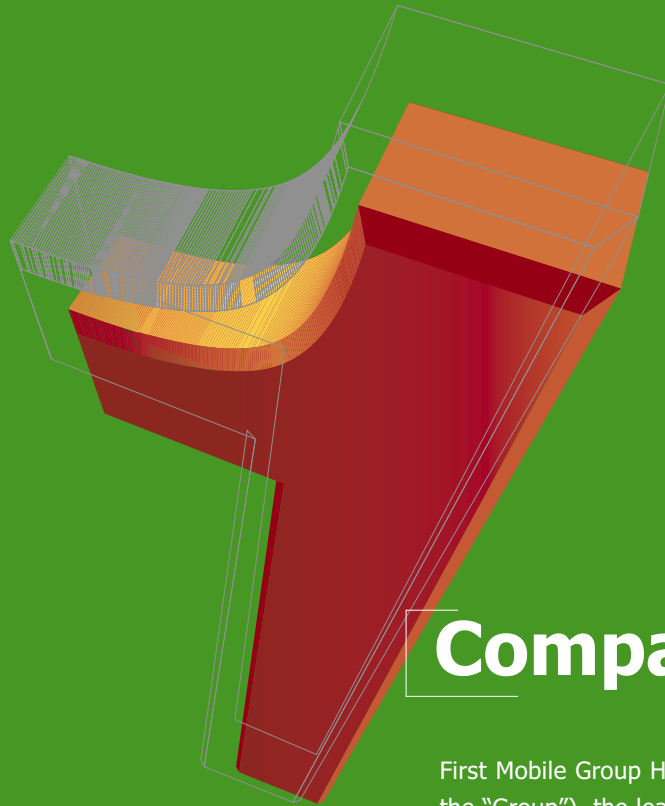
創業板乃為帶有高投資風險的公司提供一個上市的市場。尤其在創業板上市的公司毋須有過往溢利紀錄，亦毋須預測未來溢利。此外，在創業板上市的公司可因其新興性質及該等公司經營業務的行業或國家而帶有風險。有意投資的人士應了解投資於該等公司的潛在風險，並應經過審慎周詳的考慮後方作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深投資者。

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運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 www.hkgem.com，以便取得創業板上市發行人的最新資料。

Table of Contents

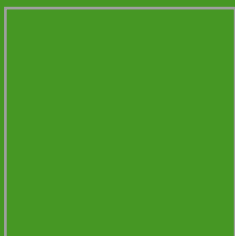
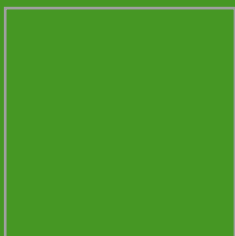
3	Major Operating Companies
4	Corporate Information
5	Major Events in 2001
8	Chairman's Statement
12	Management Discussion and Analysis
24	Comparison of Business Objectives with Actual Business Progress
31	Use of Net Proceeds from the Placing
32	Biographical Details of Directors and Senior Management
36	Directors' Report
45	Auditors' Report
46	Consolidated Profit and Loss Account
47	Consolidated Balance Sheet
49	Balance Sheet
50	Consolidated Cash Flow Statement
52	Consolidated Statement of Recognised Gains and Losses
53	Notes to the Accounts
89	Financial Summary
90	Notice of Annual General Meeting



Company

First Mobile Group Holdings Limited ("First Mobile" or the "Group"), the leading regional player, is principally engaged in the distribution of a wide variety of mobile phones and related accessories in the Asia Pacific region. Recognised for its focus on value-added services, First Mobile offers total sales, marketing and distribution solutions for mobile phone manufacturers, operators, dealers and end users.

Our mission is to maintain our leadership in the distribution of up and coming brands and to extend our geographical presence in the Asia Pacific region.



Major Operating Companies



Corporate Information

Executive Directors

Ng Kok Hong
Ng Kok Tai
Ng Kok Yang

Independent non-executive Directors

Sze Tsai To Robert
Wu Wai Chung Michael
Wong Tin Sang Patrick

Audit Committee

Sze Tsai To Robert (*Chairman*)
Wu Wai Chung Michael
Wong Tin Sang Patrick
Ng Kok Hong

Compliance Officer

Ng Kok Hong

Company Secretary and 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

Auditors

PricewaterhouseCoopers

Legal Adviser as to Hong Kong Law

Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
Bumiputra-Commerce Bank Berhad
CITIC Ka Wah Bank Limited
Malayan Banking Berhad

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
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Major Events in 2001

January	Acquired distribution rights of Alcatel mobile phones in Mainland China, Malaysia, the Philippines, Singapore and Vietnam
April	Launched Samsung SGH-A200 and established Samsung Cellular City in Malaysia
June	Surpassed the Group's half-year target and sold approximately 2.2 million units of mobile phones
July	Establishment of First Mobile Japan Co., Ltd. ("First Mobile Japan") Official launch of e-pay service with Globe Telecom and Philippines Long Distance Telephone Company ("PLDT") in the Philippines
August	e-pay Asia Limited ("e-pay Asia") was awarded the "Verix Innovation Award" from VeriFone for its innovative application that allows electronic payment for pre-pay service in Asia Pacific
September	Appointed by Unicom Horizon Mobile Telecommunications Corporation as one of the authorised distributors of CDMA mobile phone and R-UIM card in Mainland China
October	Establishment of First Mobile India Private Limited ("First Mobile India") Official launch of e-pay service with Smart Communications Inc. in the Philippines Acquired distribution rights of Sendo and Tresor in the Philippines
November	Acquired distribution rights of Sewon mobile phones in Mainland China, Hong Kong, Macau, the Philippines and Vietnam
December	Started distribution of Sewon SG2000 and SG2200 in Asia Outperformed the Group's annual sales target and sold approximately 4.3 million units of mobile phones

Siemens

Have acquired distribution rights of 20 models in Mainland China, Hong Kong, Malaysia, the Philippines and Australia since 1999



Samsung

Have established a long-term partnership with Samsung and acquired exclusive rights of a full series of up and coming models in Malaysia since 1998

Kyocera

Introduced in 2000, Kyocera is the Group's first Japanese brand. Acquired exclusive rights of TG200 in Mainland China and Hong Kong in 2000 and started distributing KZ-610 CDMA mobile phones in Mainland China since February 2002



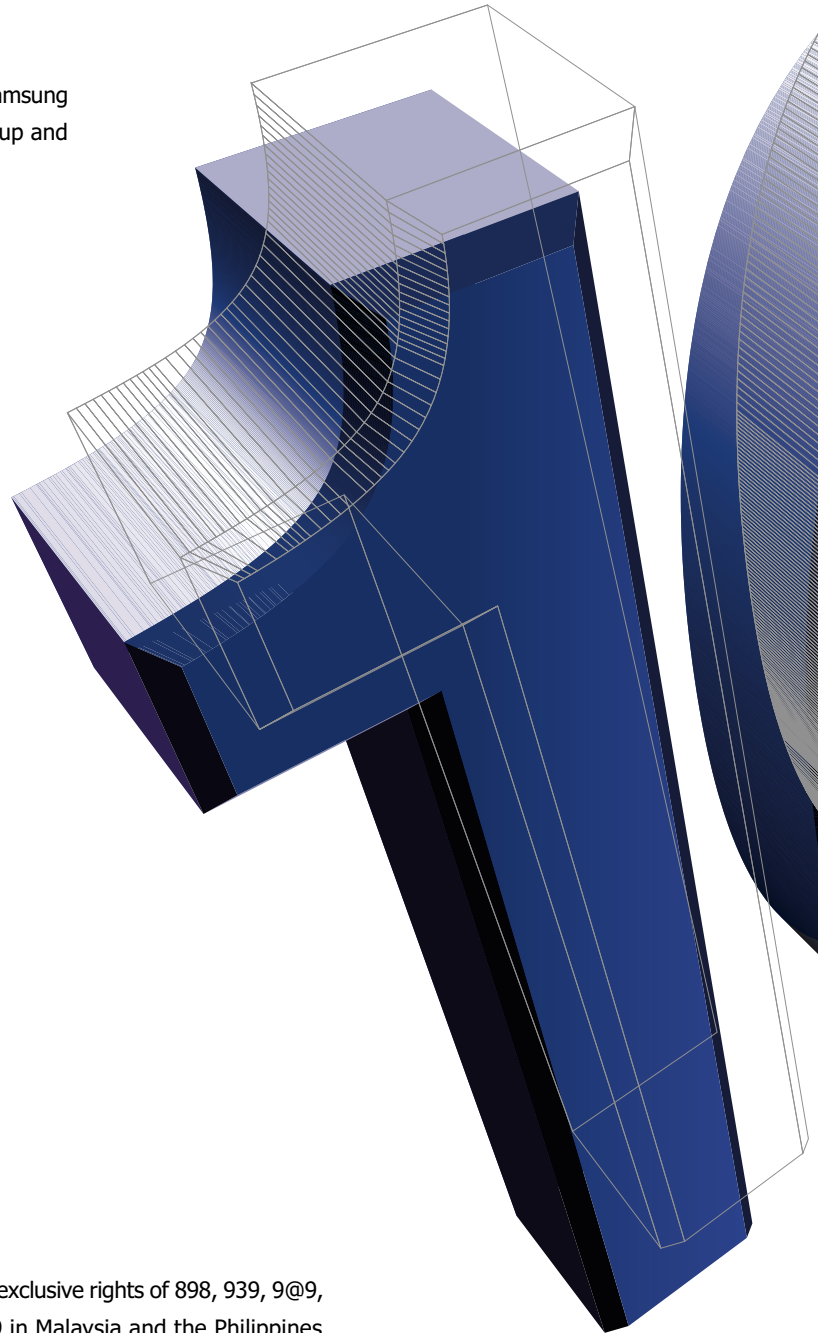
Sagem

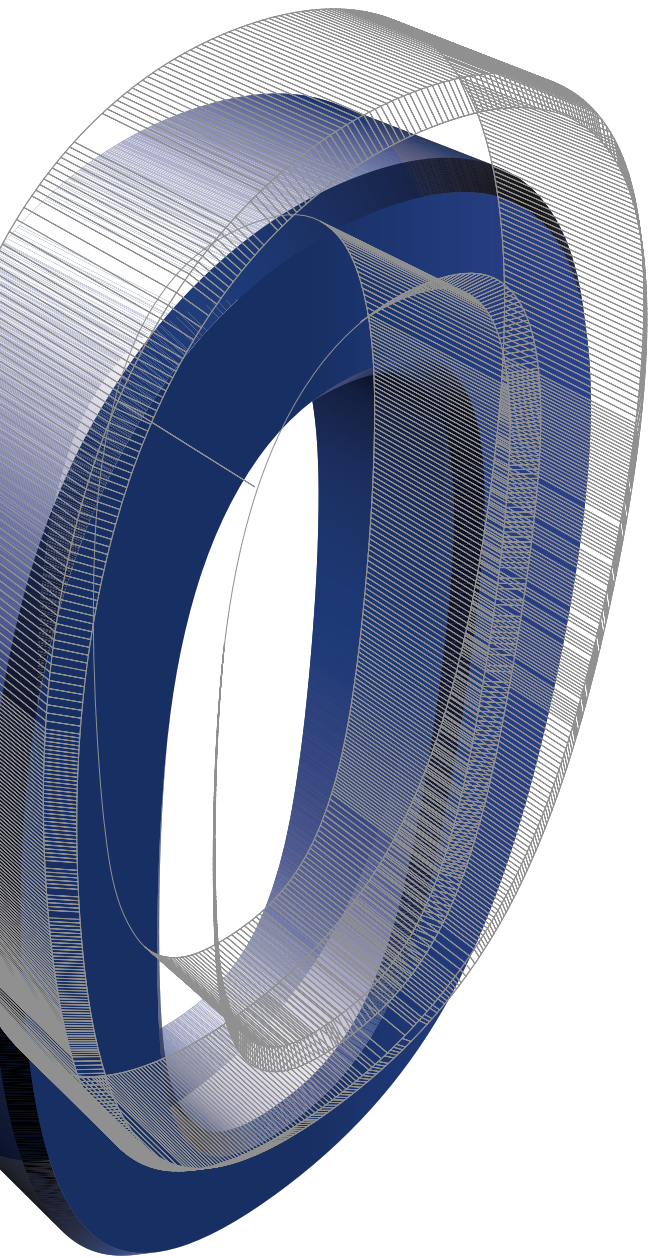
Commenced business relationship with Sagem since 1998 and have acquired distribution rights of 10 models in Malaysia and the Philippines



Philips

Acquired non-exclusive rights of 898, 939, 9@9, Ozeo and 969 in Malaysia and the Philippines





Brands

Alcatel

Have acquired distribution rights of selective models, notably OT303 and OT511, in Mainland China, Malaysia and the Philippines since 2001



Sewon

First Sewon GSM models of SG 2000 and SG 2200 were officially launched in Hong Kong and other Asian countries in early 2002. It signifies the beginning of a long-term and mutually beneficial cooperation

Sanyo

Started distributing SCP-600 CDMA mobile phones in Mainland China in early 2002



Sendo

Acquired non-exclusive rights of S-200 and Z-100 in the Philippines in 2001

Tresor

Have acquired non-exclusive right of 101B in the Philippines since 2001



Note: As at 31st December, 2001, the Group acquired distribution rights of 9 brands. Together with Sanyo introduced in early 2002, the Group is now representing a total of 10 brands.

Chairman's Statement

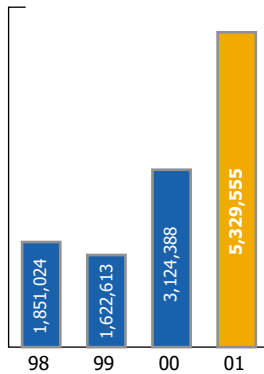


"Rest assured that First Mobile is one of the firsts to look for any opportunities to improve, to grow and to succeed."

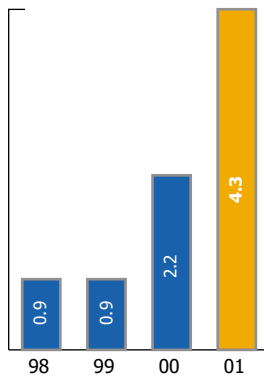
First Mobile has become synonymous with the **market leader of mobile phone distribution** in Asia Pacific, one that offers not only the widest range and latest models of mobile phone brands, but also has the widest geographical coverage.

For the years ended 31st December

Turnover (HK\$'000)



Number of mobile phones sold (million)



Introduction

In terms of turnover, profit and accomplishments, First Mobile Group Holdings Limited achieved impressive and encouraging results for 2001. With our distinct reputation, forte and dedication of our staff in the mobile industry, we achieved such enviable performance and are looking forward to an even more fruitful future ahead.

Summary of the Annual Results

For the year ended 31st December, 2001, turnover amounted to approximately HK\$5,330 million, representing an overwhelming 71% surge as compared to approximately HK\$3,124 million in 2000. Our sales volume witnessed an upward leap as we successfully exceeded our annual target by selling approximately 4.3 million units of mobile phones in 2001, an increase of 95% over 2000.

Despite the global economic slowdown that affected business sentiments and consumer confidence, our solid business model and successful strategy stood firm against any challenges. The Group experienced an impressive growth in profitability. Gross profit and profit attributable to shareholders grew by 39% and 13% to approximately HK\$402 million and HK\$163 million respectively. Basic earnings per share was HK9.3 cents. We are pleased to announce a final dividend of HK1 cent per share. Together with an interim dividend of HK1 cent per share, the total dividend for year 2001 is HK2 cents per share.

Major Achievements

The Group owed much of its success to our clear corporate mission that directed every team member to stay focused, committed and dedicated. First Mobile has become synonymous with the **market leader of mobile phone distribution** in Asia Pacific, one that offers not only the widest range and latest models of mobile phone brands, but also has the widest geographical coverage.

Possessing distribution rights of reputable brands such as Siemens, Samsung and Kyocera, to name a few, the Group acquired 4 additional world-renowned brands in year 2001, notably Alcatel, Sewon, Sendo and Tresor and 34 new models to enrich our product portfolio. Customers can enjoy a comprehensive product portfolio of a total of 9 different brands and over 50 models of mobile phones with unique features and designs.

The Group has dedicated strenuous efforts in introducing and promoting up and coming global mobile brands in different countries and cities. We are proud to say that we have the **most extensive geographical coverage** in Asia Pacific, including Mainland China, Hong Kong, Malaysia, the Philippines, Japan, India, Australia and the U.K.. With this wide geographical coverage, we have reached over 10,000 operators, dealers and retail shops in over 500 cities worldwide.

A real value-adding mobile phone distributor not only provides quality products and services, but it also offers professional and customised services to its customers. This is why First Mobile has such a comprehensive sales and distribution network, so as to offer total sales, marketing and distribution solutions for mobile phone manufacturers, operators, dealers and end users.

Future Plans and Prospects

Looking ahead, we will continue to focus on our core business to distribute mobile phones and related accessories. Knowing that the market environment will become more and more challenging, the Group will explore new business potentials to create a synergetic effect to complement our existing business model.

The enormous market in the Asia Pacific region is bound to provide endless growth opportunities for First Mobile. Needless to say, we will continue to strengthen and improve on our existing markets while on the other hand, we will also explore and expand into new markets that have potentials, such as India, which is recognised to be the second largest potential market in Asia. Rest assured that First Mobile is one of the firsts to look for any opportunities – to improve, to grow and to succeed.

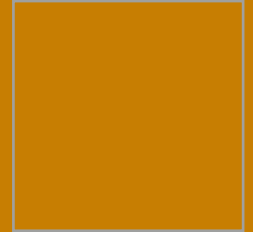
Appreciation

All in all, year 2001 was fruitful and rewarding. First Mobile ensures that everyone of our employees believes in the same business philosophy to realise goals, to excel and to reach for new heights together. We will capture the promising future and hold tight our principles and visions. On behalf of the board of directors, I would like to express my gratitude to our supportive shareholders, business partners and dedicated staff who contributed immensely to the success of First Mobile in 2001.

Ng Kok Hong

Executive Chairman

Hong Kong, 12th March, 2002



Operators & Dealers

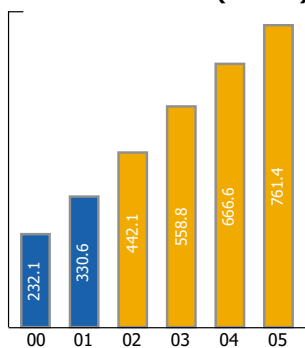
Maintain good relationships with operators and dealers over years around the world

Management Discussion & Analysis

1. Industry

First Mobile is determined to sustain its number one market position in Asia Pacific. Due to the fact that both the European and North American markets have reached saturation, growth of the mobile industry in the next few years will concentrate mostly in the Asia Pacific region, especially in the highly populated and emerging Mainland China. Total number of mobile subscribers in Asia Pacific by end of 2002 is estimated at 442 million (source: EMC World Cellular Database, October 2001). New subscribers will be the main driving force of mobile phone sales. The Group also anticipates a high replacement demand in the more mature markets, such as Hong Kong, Singapore and Australia.

Asia Pacific mobile subscribers (million)



Source: EMC World Cellular Database, October 2001

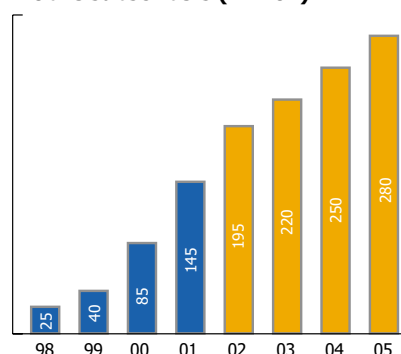
MAINLAND CHINA

The Group is very excited about China's accession into the World Trade Organization, as every industry will benefit from the immense business opportunities. Mainland China is the key contributor to the mobile phone market amongst all the high growth markets. According to the Ministry of Information and Industry ("MII") in Mainland China, it is estimated that there will be 55 million of new mobile subscribers in 2002 (source: MII, January 2002). Not to mention, with only a current 11% penetration rate, China market is expected to witness tremendous growth in next few years.

It is very phenomenal that new users play a very crucial role in contributing to the continuous sales

growth and demand of mobile phones. But one must not overlook the importance of the replacement market, as there is much room for further growth in the more developed and coastal cities, such as Beijing, Shanghai, Guangzhou and Shenzhen, where the penetration rate has grown beyond 25%. Thanks to those affluent residents who keep up with latest fashion and market trends, their willingness and desire to upgrade mobile phones are one of the key success factors of the ever-growing market. It is estimated that 120 million units of mobile phones were sold in 2001 (source: Ming Pao Daily, 29th January, 2002). 60 million units were replacement sales.

Mainland China mobile subscribers (million)



Source: Morgan Chase, July 2001

HONG KONG

Hong Kong is a highly developed market with penetration rate of over 83% (source: OFTA, March 2002). Consumers crave for fashionable phones with trendy design and state-of-the-art features. Replacement rate is one of the highest in Asia Pacific.

MALAYSIA

As another high growth market like Mainland China, the penetration rate of mobile phones in Malaysia has reached over 30% as of December 2001. It is estimated that penetration rate will reach almost 50% by 2005. This growth translates into a demand of roughly 4 million units of mobile phones for new subscribers market (source: Pyramid Research, November 2001). Replacement market will also contribute to the sales demand as consumers replace

their old mobile phones with new ones to enjoy more value-added services.

THE PHILIPPINES

The Philippines, one of the high growth markets of the Group, has enjoyed an increase in penetration rate. Mobile subscriber base has reached over 10 million by end of 2001 and penetration rate increased to 13.8% (source: Dataquest, 11th March, 2002). The Group believes that this market will continue to grow in a steady manner.

2. Business Strengths

PRODUCTS

The most important criterion of a successful business is its products – products that are of the highest quality and can cater to the different preferences and needs of customers. Fully understanding the importance of diversity and broad market reach, the Group continues to acquire new brands and products from high potential manufacturers.

GSM Mobile Phone Development

One of the Group's core competencies is, inarguably, its GSM mobile phone distribution. During the year under review, the Group acquired 34 models, including some of the most trendy and most talked-about mobile phones.

The Group, often referred to as the largest regional mobile phone distributor in Asia Pacific, is well recognised for having the most extensive collection from renowned brands. During 2001, the Group has secured distribution rights in Asia Pacific for 4 additional brands. With 4 new additions, the renowned brands of Alcatel, Sewon, Sendo and Tresor, and over 10 models, the Group now distributes a total of 9 brands and over 50 models of mobile phones. Thanks to its enviable range of products from mobile phone manufacturing giants, including Siemens, Samsung, Alcatel, Sewon, Kyocera, Philips, Sagem, Sendo and Tresor, the Group has successfully further solidified its market position and increased its global recognition.

During the period under review, the Group is proud to announce that it has sold approximately 4.3 million units of mobile phones and exceeded its yearly sales target of 3.5 million units by 23% substantially.

CDMA Mobile Phone Development

In January 2002, China Unicom Limited ("China Unicom") was the first to launch the highly anticipated New Horizon CDMA service to provide service to cover over 300 cities in Mainland China. First Mobile, with its undisputable quality and excellence, has been appointed by Unicom Horizon Mobile Telecommunications Corporation (a subsidiary of China Unicom) as one of the authorised distributors of CDMA mobile phone and R-UIM card. This signifies a brand new phase for First Mobile and will undoubtedly benefit its Mainland China development plans enormously. Moreover, it is also a reiteration of its extensive sales and distribution network and unmatched capabilities amongst the industry.

Amongst all the appointed foreign distributors, First Mobile is the largest by the number of brands and models in its business portfolio. With the arrival of the CDMA business, coupled with its existing well-established GSM distribution network, First Mobile will enjoy an increase in profit from the dual revenue from both GSM and CDMA mobile phones. The appointment by Unicom Horizon Mobile Telecommunications Corporation will allow the Group to capitalise on its amicable relationship with mobile operators in Mainland China to seek for future cooperation opportunities as well as to solidify its leading position in Mainland China.

e-pay Asia Limited

Knowing that a company must be one step ahead of others in order to succeed in the intense business environment, First Mobile established its joint venture with e-pay Limited, a provider of electronic solution for the distribution of pre-pay mobile airtime to remove the need for physical vouchers. e-pay Asia has commenced operation in the Philippines in the third quarter of 2001, and its conspicuous popularity

since establishment indicates that it is another high growth business to further diversify the Group's business.

During the year under review, e-pay Asia (Phils.), Inc., a subsidiary of e-pay Asia, has been accredited by two of the largest operators in the Philippines, Globe Telecom and Smart Communications Inc., which together account for over 95% market share, as their electronic payment solution provider of pre-pay airtime. In addition, e-pay Asia has worked with the largest local landline provider, PLDT and 13 Internet service providers, including PhilWeb, Digitel, Infocom, Jade and Surfshop, to market and distribute the electronic payment solutions.

It is no secret that the pre-pay market has started to bloom since year 2000, especially in the Philippines and Mainland China. With such room for growth in the market, e-pay Asia strives to ensure that it will become the leading electronic distribution provider in the region and to create valuable contributions to the Group.

GEOGRAPHICAL COVERAGE

With the right products in the right industry at the right time, the Group continues to strengthen its existing distribution capability in order to bring its business to a higher level.

Mainland China

In the past several years, Mainland China has become a market that no industry can afford to overlook and that no company wants to miss out on this enormous profit pie. The market has grown from a narrow market that concentrated in several coastal cities to a massive market including small cities and even counties and villages. First Mobile has recognised the importance of selling through to consumers at retail level, in both mature cities and high growth markets of counties and villages.

Through its subsidiary, Shanghai Fast Telcon Equipment International Trading Co., Ltd., the Group has jointly developed a Retail Management team with its master dealers to facilitate sell-through in over a hundred cities. The team is comprised of around a thousand retail management agents who work with designated retail chains and shops to introduce and sell selective products. First Mobile will allocate ample resources to grow and further develop this team to expand its geographical reach. Rather than simply focusing on the top tier cities, the Group will strive to cover more cities and retail shops since second and third-tier cities that are witnessing strong growth will also create a sizeable market.

Hong Kong

The Group officially launched Sewon SG2000 and SG2200 in Hong Kong in January 2002 and has achieved overwhelming results, in both sales and brand recognition frontiers. The models were among top sellers for several weeks. The Group will continue to introduce trendy products in Hong Kong to capture more market share.

Malaysia

In addition to a traditional mobile phone distribution network, the Corporate Marketing Department of the Group's Malaysian operation, which was established to specifically handle special projects, agent sales, direct and corporate sales, has helped broaden the Group's channels and revenue sources. Moreover, during the year under review, the Group's Malaysian subsidiaries have successfully launched tie-up programmes with various major local and foreign financial institutions as well as multinational companies, namely Citibank, MasterCard Malaysia and Bumiputra-Commerce Bank Berhad. First Mobile is confident that it will benefit profusely from the synergetic cooperation with such reputable partners.

The Philippines

With the increasing popularity and market demand of mobile phones, the Group has aggressively expanded its distribution network to reach more cities and dealers. After having acquired the rights to distribute a series of models of Alcatel, Sendo and Tresor mobile phones, First Mobile will continue to acquire and launch different up and coming models to suit the local market needs and to expand its product portfolio. In partnership with the manufacturers, the group has launched several latest mobile phones in the country. The Group also has enhanced its after-sales-services in the Philippines by providing after-sales-services in weekends for the busy consumers. It has also participated in various mall blitzes and promotion tours nationwide. Upon the establishment of its Corporate Sales Department to handle projects and post-pay subscription sales more smoothly and efficiently, the operation in the Philippines is expected to record satisfactory results to contribute to the overall profit of the Group.

India

India, closely behind the Mainland China market in terms of population, is regarded to be the second largest potential market in Asia for an enormous room for growth and development. According to market statistics, India's current mobile phone subscriber base of 5.7 million as of January 2002 (source: COAI, March 2002) is expected to grow to 50 million by 2005 (source: COAI, 1999). An estimated volume of at least 44 million units of mobile phones is expected to be sold within the next four years. In view of this enormous business potential, during the year under review, the Group has established its wholly owned subsidiary, First Mobile India, to make a strong presence and to establish its profit base in the India market. First Mobile India is poised to enhance the Group's market coverage in Asia and to bring unlimited business opportunities to the Group.

First Mobile India aims to become a value-added distributor of mobile products and services with a national footprint, offering a total solution to mobile phone manufacturers, including market knowledge in each local market, overall sales and marketing strategies, sales and distribution network, advertising and promotion campaigns and extensive after-sales-service network. In simple words, First Mobile India aims to provide a comprehensive, one-stop service with efficiency and quality.

MARKETING STRENGTHS

A Real Value-Added Distributor

First Mobile continuously launches up and coming brands and models to cater to the ever-changing market needs. First Mobile, with its in-depth understanding of local market needs and dedication to excel, has won itself a glaring position in the industry and a brand name that is synonymous with reliability and unmatched capabilities.

A true value-added distributor establishes after-sales-service centres to ensure total customer satisfaction and one-stop shop solutions to provide efficiency and convenience for its valuable customers. Needless to say, First Mobile, having fulfilled the above mentioned requirements, deserves to earn its distinctive reputation in the industry and devotion and loyalty from its customers.

During the year under review, the Group began to distribute Sewon SG2000 and SG2200 mobile phones in various Asian Pacific regions and achieved incredible sales results contributing to the Group's profits. Recognizing the tremendous success and popularity, Sewon is working closely with the Group to prepare the launch of several new GSM mobile phones in the coming months. The Group is confident that these new models will enjoy equal success and are set to become must-have mobile phones in Asia Pacific.

Sewon mobile phones owe its immense success in Asia Pacific to the Group's unmatched marketing strengths and capabilities. As the largest regional mobile phone distributor, the Group's well-established distribution network and experience in the industry are, without a doubt, its most valuable assets. Sewon is highly confident that the Group is its ideal partner in entering other Asian markets. Through its wholly owned subsidiary, First Telecom International Limited, the Group works closely with Sewon on sales, distribution and promotion of its brand and products in numerous Asian markets, such as Mainland China, Hong Kong, Macau, the Philippines and Vietnam. The launch of Sewon mobile phones has achieved overwhelming success and the amicable partnership between the two companies is evidently an effective win-win combination.

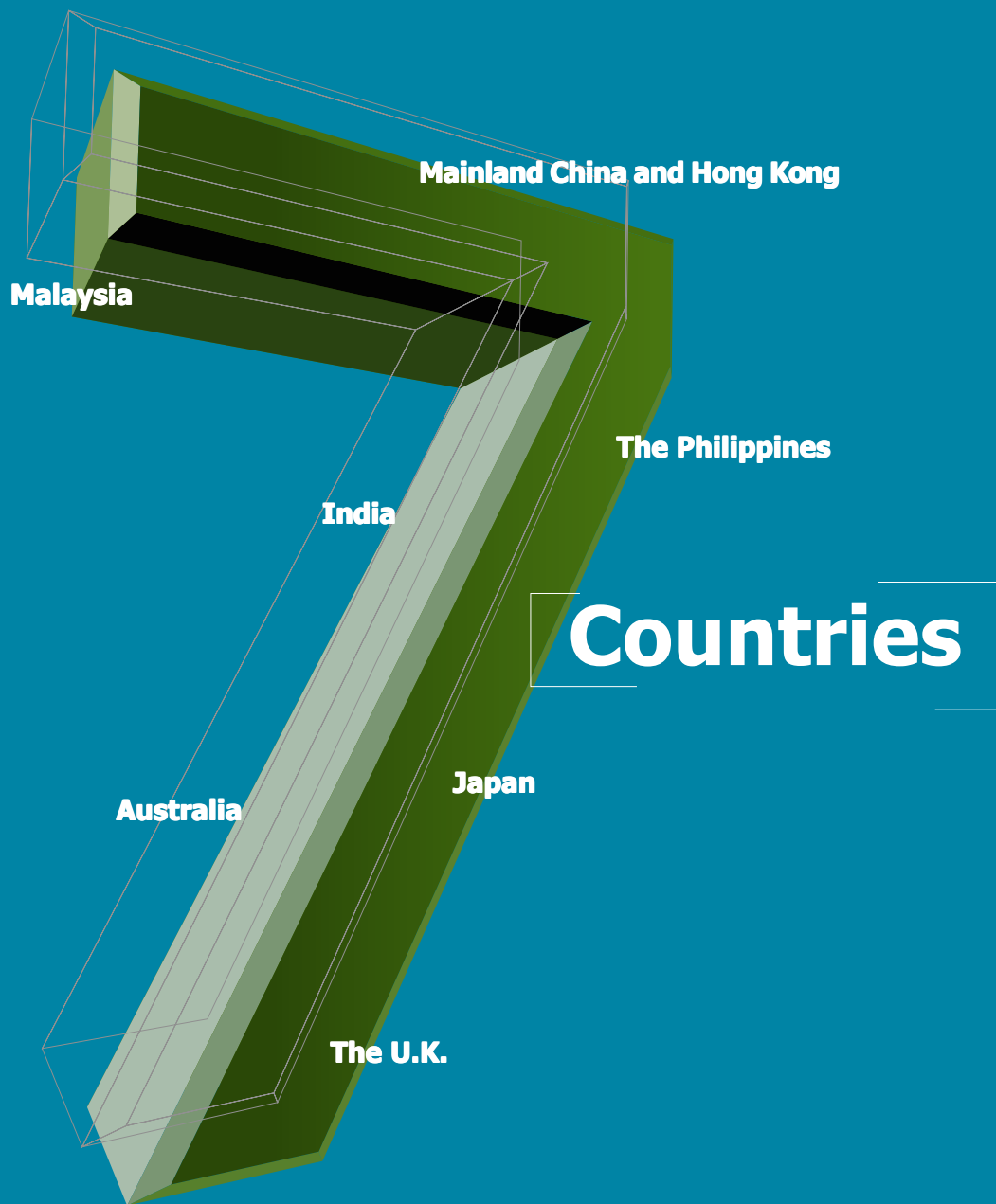
EXCELLENT RELATIONSHIP WITH MAJOR MANUFACTURERS

First Mobile takes pride of its long term relationships with globally renowned mobile phone manufacturers like Siemens, Samsung, Alcatel, Sewon, Kyocera, Philips, Sagem, Sendo and Tresor to enjoy such an extensive product portfolio. Knowing very well that these mobile phone manufacturers play a crucial role in enriching its product portfolio and strengthening its leading position in the industry, First Mobile will strive to acquire more distribution rights to further delight its customers. Alcatel, Sewon, Sendo and Tresor were the new additions to the Group's portfolio in 2001. Rest assured that there will be many more new comers in the future to suit the taste and preference of all customers of different demographics.

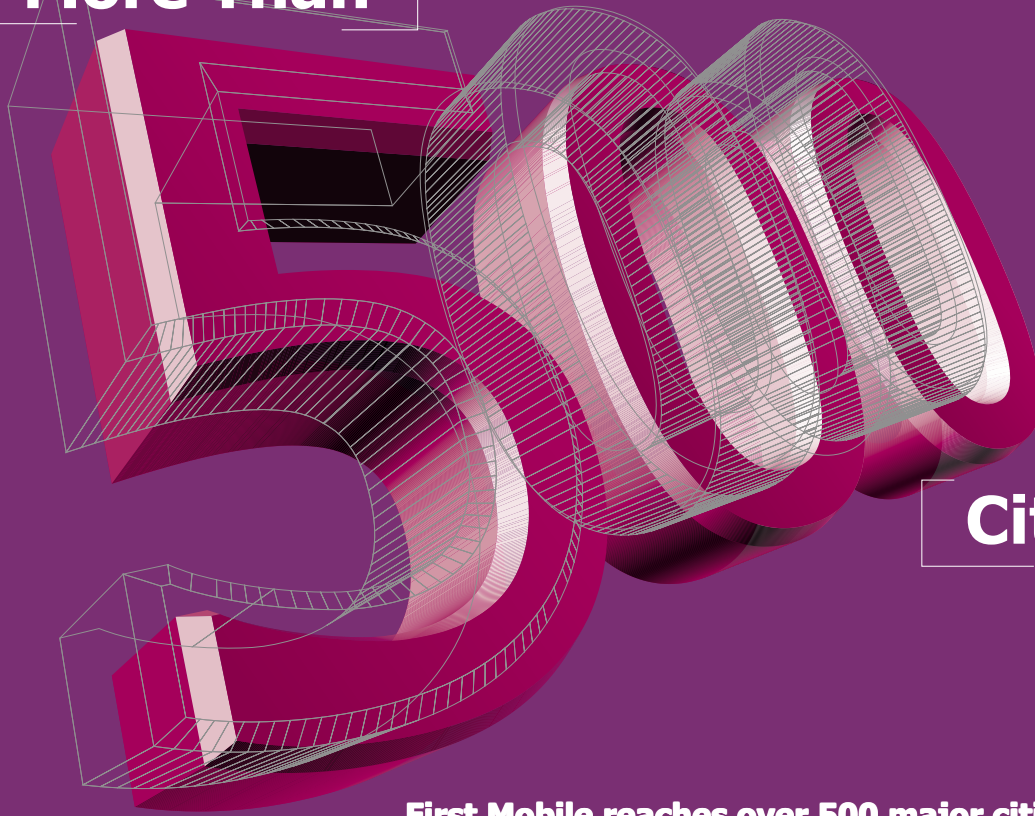


"Sewon's Night of Stars" – the launch party of Sewon SG 2000 and SG 2200 in Hong Kong in January 2002

First Mobile has the most extensive geographical coverage, including Mainland China, Hong Kong, Malaysia, the Philippines, India, Japan, Australia and the U.K.



More Than



Cities

First Mobile reaches over 500 major cities:

Mainland China: Anshan, Anyang, Baoding, Beijing, Bengbu, Changchun, Changsha, Chengdu, Chongqing, Dalian, Datong, Deyang, Dongguan, Foshan, Fushun, Fuzhou, Guangzhou, Guilin, Guiyang, Haicheng, Haikou, Handan, Hangzhou, Hong Kong, Jiamusi, Jiangmen, Jiangyin, Jinan, Jinhua, Jinzhou, Kaifeng, Kunming, Lanzhou, Lianyungang, Liuzhou, Luoyang, Mianyang, Mudanjiang, Nanchang, Nanjing, Nanning, Nantong, Ningbo, Putian, Qingdao, Qinhuangdao, Qiqihar, Quanzhou, Shanghai, Shantou, Shaoxing, Shenzhen, Shunde, Suzhou, Taian, Taiyuan, Taizhou, Tangshan, Tianjin, Urumqi, Weifang, Weihai, Wenzhou, Wuhan, Wuxi, Xiamen, Xi'an, Xiangfan, Xining, Xinxiang, Xuzhou, Yangzhou, Yantai, Yichang, Yinchuan, Yingtan, Yueyang, Yuxi, Zhangzhou, Zhanjiang, Zhengzhou, Zhongshan, Zhuhai, Zhuzhou, Zibo **Malaysia:** Kuala Lumpur, Malacca, Penang **The Philippines:** Balanga, Cebu, Davao, Iloilo, Manila **India:** Bangalore, Calcutta, Madras, Mumbai, New Delhi, **Japan:** Fukuoka, Hiroshima, Kobe, Osaka, Sapporo, Tokyo, Yokohama **Australia:** Canberra, Darwin, Melbourne, Perth, Sydney **The U.K.:** London, Manchester, Southampton.....



3. Strategies in 2002

No.1 MARKET POSITION IN ASIA PACIFIC

First Mobile is proud of its success and accomplishments, but it does not plan to stop growing and perfecting. The Group is determined to maintain the position of the **number ONE mobile phone distributor** in the entire Asia Pacific region. The Group's strategy of 2002 is to continue its excellent effort – in expanding its geographical reach, in increasing its product variety, in exploring new business potentials, and last but not least, in acquiring more distribution rights.

GEOGRAPHICAL COVERAGE

The Group will continue to strengthen its existing market coverage by establishing more distribution centres and expanding the distribution network to serve its customers and to enhance value for mobile phone manufacturers. In addition to its existing presence in major countries, the Group will seek other potential markets with enormous room for growth, like Vietnam. Recognizing the value of its penetration into the Indian market, it intends to expand into Japan as well.

The Group, through its Japan subsidiary, First Mobile Japan, has also ventured into VoIP arena. The Japan subsidiary targets to provide high quality and cost effective long distance and international communication services to corporate and individual customers.

In the coming future, the Group will also explore opportunities in the SMS businesses, voice and data convergent services and other messaging applications that will also be synergetic to its existing mobile distribution business in the Asia Pacific region.

ACQUIRE ADDITIONAL DISTRIBUTION RIGHTS

GSM

The Group has enjoyed tremendous success in working with up and coming brands like Siemens, Samsung, Alcatel and Sewon. These renowned brands are committed to the mobile phone business and have proven their strengths in producing and marketing well received mobile phones in numerous Asian markets.

To further strengthen the Group's product portfolio, the Group will continue to explore and acquire new brands that have high market potentials. On top of several new models to be launched together with Sewon in coming months, there will be a new model from another Korean brand to be marketed by the Group in first half of 2002. 2002 will prove to be an exciting year for First Mobile in becoming an even more globally recognised company with unrivalled competitive product portfolio.

CDMA

Being one of the 14 authorised CDMA mobile phone and R-UIM card distributors in Mainland China, the Group has successfully started distributing products from Sanyo and Kyocera since February 2002. We see high potential from these products and will work closely with these two brands and other reputable manufacturers to launch new models in the coming months.

EXPLORE NEW BUSINESS OPPORTUNITIES

To become a true leader in the industry, the Group believes that it needs diversity to become an impeccable mobile phone distributor. This is why the Group will diversify into other mobile communications related businesses.

In January 2002, the Group formed a joint venture with Euronet Worldwide, Inc. ("Euronet"), the leading provider of secure electronic financial transaction solutions, headquartered in the U.S., to offer Mobile Bill Pay and Electronic Recharge services enabling mobile phone users to pay utility bills and to add minutes to their pre-pay mobile service via their GSM phone, at a point-of-sale terminal, over the Internet or at an ATM. The joint venture will establish a data centre in Malaysia to support secure electronic transactions, based on Euronet's core processing engine. The SMS, SIM Toolkit and WAP based payment solutions will be offered to all mobile operators as a completely outsourced, wireless ASP solution.

The Group will continue to strengthen its existing distribution network and introduce more promising businesses to suit the different needs and wants of the market and to generate more profit. In the coming future, the Group will explore opportunities in the SMS business and other messaging applications that will also be synergetic to its existing mobile distribution business in the Asia Pacific region.

4. Liquidity and Financial Resources

As at 31st December, 2001, cash and bank balances of the Group was approximately HK\$397 million (2000: HK\$234 million), of which approximately HK\$212 million (2000: HK\$40 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK\$375 million (2000: HK\$70 million), comprising long-term bank loans of approximately HK\$94 million (2000: HK\$20 million), obligations under hire purchase contracts of approximately HK\$5 million (2000: HK\$4 million), short-term bank loans and overdrafts of approximately HK\$276 million (2000: HK\$45 million) and other short-term loans of HK\$ nil (2000: HK\$1 million).

The increase in long-term bank loans was mainly due to the drawdown of a HK\$80 million transferable term loan in October 2001 for general working capital financing.

All current and future assets of a subsidiary of the Company are pledged as security for the subsidiary's general banking facilities. The gross assets of the subsidiary as at 31st December, 2001 was approximately HK\$11 million (2000: HK\$29 million). Certain inventories, investment property and leasehold properties of the Group are also pledged as security for the Group's general banking facilities. As at 31st December, 2001, the carrying value of these pledged assets (excluding the pledged bank balances and the assets of the subsidiary mentioned above) was approximately HK\$47 million (2000: HK\$41 million).

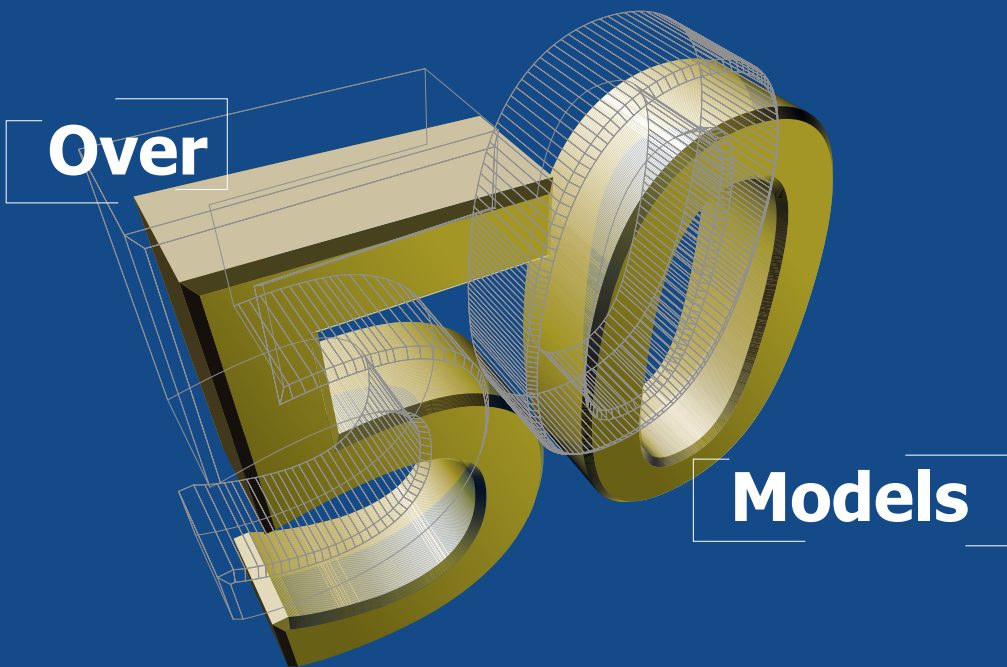
The gearing ratio (total long-term liabilities/net assets) of the Group as at 31st December, 2001 was 19.7% (2000: 6.8%).

5. Treasury Policies

The Group's business transactions, assets and liabilities are mainly denominated in either Hong Kong Dollars, United States Dollars, Renminbi, Euro or Malaysian Ringgits. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group does not engage in foreign currency speculative activities.

6. Employees

As at 31st December, 2001, the Group had 417 (2000: 226) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2001 amounted to approximately HK\$83 million (2000: HK\$39 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group also has a share option scheme for Directors and employees, details of which are disclosed in the section of "Share Option Schemes" in the Directors' Report.



First Mobile has a portfolio of 9 brands and over 50 models

Siemens: 6686, 6688i, S45, 6618, SL45, 6688, A36, 1118, 3508i, C35i, M35, 3518i, A40, C45, 2118, C30, ME45

Samsung: SGH 2100, SGH 2200, SGH A100, SGH A110, SGH M100, SGH N100, SGH N200, SGH A200, SGH A300, SGH R220, SGH A400, SGH N620

Alcatel: OT303, OT311, OT501, OT701, OT302, OT511

Sewon: SG 2000, SG 2200

Kyocera: TG200

Philips: 898, 939, 9@9, Ozeo, 969

Sagem: MC930, MC920, MC912, MW956, MW936, MW959, MW930, MW3020, WA3050, MC3026

Sendo: S-200, Z-100

Tresor: 101B



Note: As at 31st December, 2001.



Outperformed our yearly sales target and sold approximately 4.3 million units in 2001, a 95% increase over last year



**Units of
Mobile Phones**

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 31st December, 2001.

	Business objectives	Actual business progress
<i>Mobile phone distribution business</i>		
Business Development	<p>1H</p> <ul style="list-style-type: none"> • Target to achieve half-yearly mobile phone sales to approximately 1.5 million sets <p>2H</p> <ul style="list-style-type: none"> • Target to achieve half-yearly mobile phone sales to approximately 2 million sets <p>1H</p> <ul style="list-style-type: none"> • To set up telemarketing call center in Australia <ul style="list-style-type: none"> • To identify mobile phone retailers in the U.K. and the PRC as business partners 	<ul style="list-style-type: none"> • The Group has exceeded the corporate target by 23%. Approximately 4.3 million units were sold in 2001 <ul style="list-style-type: none"> • A prudent approach has been taken to the call center operation due to the rapidly changing Australian market dynamics. The Group is now exploring opportunities in the VoIP arena <ul style="list-style-type: none"> • Due to keen competition in the U.K., a more prudent approach has been taken <ul style="list-style-type: none"> • The Group and its master dealers jointly developed a retail management team to facilitate sell-through in various cities in the PRC

	Business objectives	Actual business progress
Establishment of new offices/ centres	1H • 3 customer care centres	• Customer care centres were established in Malaysia, India and the Philippines
	2H • 3 customer care centres	• Established new offices in Japan and India – “First Mobile Japan Co., Ltd.” and “First Mobile India Private Limited”
Product range	1H • Launch 3-5 new models of mobile phones of various brands	• The Group acquired distribution rights of 4 brands, namely Sewon, Alcatel, Sendo and Tresor, and 34 new models. The Group now has over 50 mobile phone models from reputable brandnames including Siemens, Samsung, Alcatel, Sewon, Kyocera, Sagem, Philips, Sendo and Tresor
	2H • Launch 2.5G mobile phones and various new models of mobile phones	
Staff deployment	1H • 10 additional staff to provide after-sales services in the PRC	• The Group and its master dealers jointly appointed a local after-sales-service provider as the authorized service provider for several brands. The service provider has established 3 centres and employed over 20 staff
	2H • 10 additional staff to provide after-sales services in the PRC	

	Business objectives	Actual business progress
<i>e-pay Asia Limited</i>		
e-pay Terminals		
Business development	<p>1H</p> <ul style="list-style-type: none"> 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 Explore additional applications of e-pay Terminals as Internet shopping and electronic payment platforms Reach agreement with network operator(s) to install e-pay terminals in retail stores in major cities in the PRC <p>2H</p> <ul style="list-style-type: none"> Seek cooperation with GSM and CDMA network operators in the PRC to conclude nationwide e-pay Terminals service contracts Explore and develop additional applications of e-pay Terminals Roll out of e-pay Terminals in 2 additional major cities in the PRC 	<ul style="list-style-type: none"> In the Philippines, e-pay Asia (Phils.), Inc., reached agreement with 2 major mobile operators Globe Telecom and Smart Communications Inc., a fixed line operator PLDT and 13 Internet service providers for adoption of the e-pay service as authorized payment channels for their pre-pay services e-pay activities are put on hold for Hong Kong and Singapore due to the slow growth of pre-pay market In the process of identifying additional applications PRC development is pending due to the delay on Chinese software development <p>Same as above</p> <ul style="list-style-type: none"> The Group is now exploring opportunities to work with banking and royalty bonus point application providers on e-pay solutions Pending due to the delay of e-pay Chinese software development

Comparison Of Business Objectives with Actual Business Progress

	Business objectives	Actual business progress
Establishment of new offices	1H <ul style="list-style-type: none"> • Set up offices in the PRC 	<ul style="list-style-type: none"> • Same as above
Total establishments	1H <ul style="list-style-type: none"> • 2,000-4,000 terminals 2H <ul style="list-style-type: none"> • 2,000-7,000 terminals 	<ul style="list-style-type: none"> • 250 terminals in the Philippines • Continued to explore potential locations for establishing additional terminals
 <i>FirstNet.Com Limited</i> 		
Virtual B2B2C network		
Business development	1H <ul style="list-style-type: none"> • Assist website owners to set up 2 licensed sites in 2 major cities in the PRC and 1 additional Asia Pacific Region • Identify local mobile phone dealers and/or retail shops as B2B partners in major cities in the PRC 2H <ul style="list-style-type: none"> • Assist website owners to set up licensed sites in 3 major cities in the PRC • Build a B2B virtual dealers network in Malaysia for distribution of telecommunications products 	<ul style="list-style-type: none"> • A more prudent approach has been taken due to the sluggish development in e-commerce. Recruitment has been put on hold • Same as above • Same as above • Same as above

Comparison Of Business Objectives with Actual Business Progress

	Business objectives	Actual business progress
Contents/functions	1H	
	<ul style="list-style-type: none"> Assist webstie owners to extend the e-commerce function for B2B purpose 	<ul style="list-style-type: none"> Same as above
	2H	
	<ul style="list-style-type: none"> Assist website owners to develop B2B contents for the B2B virtual dealers network 	<ul style="list-style-type: none"> Same as above
	<ul style="list-style-type: none"> Distribution of WAP contents and applications developed by First E Wap Limited 	<ul style="list-style-type: none"> Same as above
Staff deployment	1H	
	<ul style="list-style-type: none"> 1 additional staff for developing web contents 	<ul style="list-style-type: none"> Same as above
CyberOutlets		
Business development	1H	
	<ul style="list-style-type: none"> Identify business partners, preferably electronics manufacturers for the production of CyberOutlets in major cities in Malaysia, the PRC and the Philippines as test points 	<ul style="list-style-type: none"> A more prudent approach has been taken due to sluggish environment
	2H	
	<ul style="list-style-type: none"> Roll out in 2 major cities in the PRC 	<ul style="list-style-type: none"> Same as above
Total establishments	2H	
	<ul style="list-style-type: none"> Approximately 200 CyberOutlets 	<ul style="list-style-type: none"> Same as above
Contents/functions	2H	
	<ul style="list-style-type: none"> Start providing information download and promotion services to operators and content providers 	<ul style="list-style-type: none"> Same as above
	<ul style="list-style-type: none"> Distribution of WAP contents and applications developed by First E Wap Limited 	<ul style="list-style-type: none"> Same as above

	Business objectives	Actual business progress
<i>First E Wap Limited</i>		
WAP solution services		
Business development	<p>1H</p> <ul style="list-style-type: none"> Set up WAP technical teams in Malaysia, Hong Kong, the PRC and the Philippines Extend strategic alliances with regional technology providers and Internet content providers <p>2H</p> <ul style="list-style-type: none"> Extend strategic alliances with regional technology providers and Internet content providers Launch marketing campaign of the Group's WAP portal for youth Broaden the distribution channel for the Group's WAP contents and applications through <i>www.1netcn.com</i> and all CyberOutlets 	<ul style="list-style-type: none"> A more prudent 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 applications market Same as above Same as above Same as above
Customer base	<p>1H</p> <ul style="list-style-type: none"> Establish websites of commercial organisations and content providers <p>2H</p> <ul style="list-style-type: none"> Broaden customer base for commercial organisations and youth 	<ul style="list-style-type: none"> Same as above Same as above

Comparison Of Business Objectives with Actual Business Progress

	Business objectives	Actual business progress
Range of services/products	1H <ul style="list-style-type: none">• Provide WAP enabling and consultancy services to established websites	<ul style="list-style-type: none">• Same as above
	2H <ul style="list-style-type: none">• Develop a youth portal• Pre-load tailor made WAP applications to mobile phones sold by the Group	<ul style="list-style-type: none">• Same as above• Same as above

Use of Net Proceeds from the Placing

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$89.8 million from the new issue of shares by way of placing (the "Placing"). During the period from 29th December, 2000 (the date of listing of the Company's shares on GEM of the Stock Exchange) to 31st December, 2001, the Group has applied the net proceeds as follows:

	Cumulative amount to be used up to 31st December, 2001 as stated in the Prospectus	Actual amount used up to 31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Marketing and promotional activities for new markets (<i>note (v)</i>)	11,500	10,200
Strategic alliance programs in the PRC (<i>note (i) and (v)</i>)	4,400	–
Expansion in the U.K. telemarketing call centre business (<i>note (ii)</i>)	15,800	22,900
Rollout of e-pay Terminals (<i>note (iii) and (v)</i>)	21,100	12,900
Rollout of CyberOutlets (<i>note (iv) and (v)</i>)	4,000	–
	<u> </u>	<u> </u>

Notes:

- (i) The Group has identified several potential business partners in the PRC and is in the early stage of discussion for business co-operation.
- (ii) The Group started the telemarketing call centre business in September 2000. Due to the unexpected early termination of a business contract by a major operator as a result of the unanticipated change in marketing strategy of most of the operators in the U.K., there was a sharp decline in business volume despite the Group's marketing effort. In view of such, the Directors considered that it was in the best interest of the Group to close down the business which took place in October 2001.
- (iii) Amount was spent for the rollout of e-pay service in the Philippines where commercial launch was commenced in the third quarter of 2001. As a result of the delay in the e-pay Chinese software development and the unfavourable market situation in Hong Kong and Singapore, rollout of e-pay services at other locations is delayed.
- (iv) Due to the sluggish environment, the Directors considered that it is in the best interest of the Group to take a more cautious approach towards this project which is now put on hold.
- (v) The unused net proceeds have been placed with licensed banks in Hong Kong for future use as identified by the Group's business plans.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. NG Kok Hong, aged 38, 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. Mr. Ng has successfully grown the Group's business to cover Mainland China, Hong Kong, the Philippines, India, Japan, Australia and the U.K. since 1999. Mr. Ng has also contributed a lot to the strategic relationship between the Group and renowned manufacturers like Siemens, Samsung, Alcatel and Sewon.

Mr. NG Kok Tai, aged 41, 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 the financial sector 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 34, 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 four

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 61, independent non-executive Director. Mr. Sze is a member of the Chinese People's Political Consultative Conference in Shanghai and non-executive Directors of several companies listed in Hong Kong. Mr. Sze was a partner in an international firm of accountants with which he practised for over 20 years. He is a fellow of The Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Society of Accountants. Currently, directorships held by Mr. Sze include the independent non-executive Director of Asia Satellite Telecommunications Holdings Limited, 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 52, independent non-executive Director. Mr. Wu is currently the Deputy Chairman of the Shanghai Stock Exchange and a member of the Strategy and Development Committee of the Chinese Securities Regulatory Commission in China. He is also a member of China's Listing Committee. Mr. Wu was the former Deputy Chairman and Chief Operating Officer of the Securities and Futures Commission until his departure on 31st December, 1997. Mr. Wu was an Advisor to the Chinese Securities Regulatory Commission from 1999 to 2001. Mr. Wu is currently an independent non-executive Director of SW Kingsway Capital Holdings Limited and Interchina Holdings Company Limited and a non-executive Director of Guangnan (Holdings) Limited.

Mr. WONG Tin Sang Patrick, aged 69, independent non-executive Director. Mr. Wong is currently a business adviser in corporate banking group at CITIC Ka Wah Bank Limited. Mr. Wong has over 39 years of experience in the banking industry and had held senior positions in 3 other banking institutions.

Senior Management

Mr. SEE Tak Wah, aged 38, 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 over 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 38, 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 39, 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 17 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 43, Chief Executive Officer of First Telecom International (Australia) Pty Ltd. Mr. Day has nearly 21 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 January 2001.

Mr. DOWNIE David Malcolm, aged 44, 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 20 years of experience in sales and marketing management. Prior to joining the Group in November 1996, he held senior positions within the cellular industry and data networking equipment manufacturer.

Mdm. ENG Sew Chin, aged 54, Group Treasurer. Mdm. Eng is also an Alternate Director/Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 29 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 and Mr. Ng Kok Yang.

Mr. HONDA Yasuhiko, aged 56, Chief Executive Officer of First Mobile Japan Co., Ltd.. Mr. Honda has over 20 years of senior management experience in mobile phones, information equipments sales and manufacturing in Japan, Germany and the United States. Prior to joining the Group, he served as a senior executive of Kyocera Corporation Japan holding positions such as Division Manager – International Development, Communication Systems Group in Yokohama Japan, President – Printer Division for the sales in Somerset New Jersey, General Manager – Printer Sales Division in Tokyo Japan, and President for the Laser Printer Sales establishment in Europe during the years from 1983 to 2001.

Mr. LAI Wai San, aged 39, 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 13 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 36, Chief Executive Officer of e-pay Asia (Phils.), Inc. since February 2001. He graduated from the Ateneo de Manila (Philippines). He has more than 15 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 43, 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 is a Chartered Institute of Marketing U.K. Diploma holder. He has over 16 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. ROY Sanjoy, aged 46, Chief Executive Officer of First Mobile India Private Limited. Graduated with a Degree in Business Management from St. Xavier's Institute of Management, Mumbai and a Bachelor of Science Degree from University of Nagpur, India, Mr. Roy has a total of 25 years' working experience of which 13 years in mobile phones and hi-tech equipments sales. Prior to joining the Group in July 2001, he worked as a senior management staff for Motorola India Ltd. for 6 years and Modi Xerox Ltd. India for 7 years.

Ms. SIEW Ai Lian, aged 42, an Alternate Director of First Mobile Group Sdn. Bhd. in Malaysia. Ms. Siew was educated in Malaysia and has extensive experience in administration and human resources management. Ms. Siew is an Associate Member of the Malaysian Institute of 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.

Mr. SIEW Chee Wee Brian, aged 24, Chief Executive Officer of First Asia Mobile, Inc. ("FAMI"). Mr. Siew joined the Group in Malaysia in 2000. He was transferred to Manila in March 2000 to start up our new operation in the Philippines. Initially worked as Operations Director, he was appointed as Chief Executive Officer of FAMI after one year of successful business. Mr. Siew is the brother-in-law of Mr. Ng Kok Tai and the younger brother of Ms. Siew Ai Lian.

Mr. TIENG Nobel Yap, aged 38, Chief Operating Officer of Mobile Distribution Inc., in the Philippines. Graduated from De La Salle University in the Philippines and is a member of the Philippine Association of National Advertisers. Mr. Tieng has more than 16 years of experience in the telecommunications industry where he previously worked as the Country Manager for Motorola South Asia, the Regional Manager Asia Pacific of Hughes Network Systems and held management position for Globe Telecom.

Ms. TSE Yuen Yee Irene, aged 44, 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 17 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, 2001.

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 28 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 46.

The Directors have declared an interim dividend of HK1 cent per share, totalling HK\$17,500,000, which was paid on 22nd October, 2001.

The Directors recommend the payment of a final dividend of HK1 cent per share, totalling HK\$17,500,000.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$149,000.

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 21 to the accounts.

Financial Summary

A summary of the results and of the assets and liabilities of the Group is set out on page 89.

Purchase, Sale or Redemption of Shares

During the year ended 31st December, 2001, 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
Mr. Ng Kok Tai
Mr. Ng Kok Yang

Independent non-executive Directors

Mr. Wu Wai Chung Michael
Mr. Sze Tsai To Robert
Mr. Chong Yulin Derrick (resigned on 1st August, 2001)
Mr. Wong Tin Sang Patrick (appointed on 1st August, 2001)

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Ng Kok Tai and Mr. Wong Tin Sang Patrick 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 32 to 35.

Directors' Service Contracts

Each of the executive Directors has entered into a service agreement 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 executive Directors are 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, 2001, the maximum amount of the discretionary bonus that the Directors would have been entitled to was approximately HK\$16,342,000 (2000: HK\$14,442,000). During the year ended 31st December, 2001, the executive Directors were entitled to a discretionary bonus of HK\$4,585,000 (2000: Nil).

Each of the existing independent non-executive Directors has been appointed for a term expiring on 31st December, 2002.

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 the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (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

Significant related party transactions entered into by the Group during the year ended 31st December, 2001, which also constitute connected transactions under the GEM Listing Rules, are disclosed in note 27 to the accounts.

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 ("Pre-Listing Share Option Plan"), 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 dated 20th December, 2000.

(i) Share Option Scheme

Under the Share Option Scheme, the board of Directors (the "Board") or a duly authorised committee thereof which shall include the independent non-executive Directors (the "Committee") 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 quotation 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 quotation 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.

Options granted under this scheme may be exercised within a period to be notified by the Board or the Committee to each grantee and in any event such period of time shall not be less than three years and more than nine years commencing on the expiry of six months after the date on which an offer of the grant of an option is accepted and expiring on the last day of such period or 14th December, 2010, whichever is the earlier.

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, 2001, no options under this scheme had been granted.

Share Option Schemes *(continued)*

(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 of the Stock Exchange on 29th December, 2000 (the "Listing Date"). 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 Company 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.

Options to subscribe for 4,296,250 Shares in the Company lapsed during the year ended 31st December, 2001 due to the resignation of employees. As at 31st December, 2001, there are options remaining to subscribe for an aggregate of 170,668,750 Shares, representing 9.8% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 132,125,000 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 34,125,000 Shares granted to 10 senior management staff and options to subscribe for an aggregate of 4,418,750 Shares granted to 48 employees.

During the year ended 31st December, 2001 and up to the date of this report, no options had been exercised or cancelled.

Directors' Interests in Equity Securities

As at 31st December, 2001, 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 in the Company

(Shares of HK\$0.10 each)

Director	Number of shares			Total	Approximate percentage of shareholding
	Personal interests	Family interests (Note (i))	Corporate interests (Note (ii))		
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, 2001 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	Number of shares		Total
	Personal interests	Family interests (Note)	
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, 2001, the Company had granted the following share options under the Pre-Listing Share Option Plan to the Directors of the Company:

Director	Number of underlying shares under the Pre-Listing Share Option Plan		Total
	Personal interests	Family interests (Note)	
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.

Save as disclosed above, as at 31st December, 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 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, 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.

Sponsor's Interests

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

	As at 31st December, 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	11,365,500	0.7%
Kingsway's associates	145,831,250	8.3%
Total	157,196,750	9.0%

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, 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 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.

On 23rd October, 2001, a syndicate member of a transferable term loan (in which a subsidiary of the Company is the borrower) agreed to transfer its participation of HK\$25 million to a fellow subsidiary of Kingsway. The fellow subsidiary of Kingsway had taken up the participation on 31st October, 2001.

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.

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	14.6%
– five largest customers combined	56.4%

Purchases

– the largest supplier	32.6%
– five largest suppliers combined	68.6%

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 during the year.

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, 2001, the audit committee has four members comprising three independent non-executive Directors, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick, 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. During the year and up to the date of this report, five audit committee meetings were held for reviewing the Company's annual reports and quarterly reports, and providing advices and recommendations to the board of Directors.

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, 12th March, 2002

Auditors' Report

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 46 to 88 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 of the Group as at 31st December, 2001 and of the Group's profit and cash flows 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, 12th March, 2002

Consolidated Profit and Loss Account

For the year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	3	5,329,555	3,124,388
Cost of sales	4	(4,927,493)	(2,835,529)
Gross profit		402,062	288,859
Other revenues	3	5,518	2,008
Distribution costs		(6,205)	(6,253)
Selling, general and administrative expenses		(162,133)	(90,898)
Other operating expenses, net		(13,719)	(674)
Operating profit	5	225,523	193,042
Finance costs	6	(15,823)	(11,011)
Profit before taxation		209,700	182,031
Taxation	7	(49,109)	(35,984)
Profit after taxation		160,591	146,047
Minority interests		2,825	(1,632)
Profit attributable to shareholders	8	163,416	144,415
Dividends	9	(35,000)	(30,000)
Basic earnings per share	10	HK9.3 cents	HK9.9 cents

Consolidated Balance Sheet

As at 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Non-current assets			
Fixed assets	13	65,414	65,910
Non-trading securities	15	–	1,828
		65,414	67,738
Current assets			
Inventories	16	212,371	186,738
Other securities	15	43,148	–
Trade receivables	17	649,753	404,820
Other receivables and prepayments		54,876	38,924
Bank balances and cash	18		
– pledged		212,025	40,456
– not pledged		184,945	193,406
		1,357,118	864,344
Current liabilities			
Trade payables	19	395,440	423,178
Bills payable		47,422	11,489
Other payables and accrued charges		64,556	44,573
Current portion of long-term liabilities	23	4,731	10,906
Other short-term loans	20	–	870
Taxation payable		33,363	28,644
Bank loans and overdrafts			
– secured		276,456	45,367
– unsecured		–	10
		821,968	565,037
Net current assets		535,150	299,307
Total assets less current liabilities		600,564	367,045

Consolidated Balance Sheet

As at 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Financed by:			
Share capital	21	175,000	175,000
Reserves	22	311,376	174,112
Proposed final dividend	22	17,500	–
Shareholders' funds		503,876	349,112
Minority interests		2,402	5,227
Non-current liabilities			
Long-term liabilities	23	94,286	12,706
		600,564	367,045

Ng Kok Hong
Director

Ng Kok Yang
Director

Balance Sheet

As at 31st December, 2001

		2001	2000
	Note	HK\$'000	HK\$'000
Non-current assets			
Investments in subsidiaries	14	338,824	248,903
Current assets			
Other receivables		218	12,422
Bank balances and cash		50,576	89,824
		50,794	102,246
Current liabilities			
Other payables		1,026	836
Net current assets		49,768	101,410
Total assets less current liabilities		388,592	350,313
Financed by:			
Share capital	21	175,000	175,000
Reserves	22	196,092	175,313
Proposed final dividend	22	17,500	–
Shareholders' funds		388,592	350,313

Ng Kok Hong
Director

Ng Kok Yang
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Net cash (outflow)/inflow from operating activities	24(a)	(48,040)	40,407
Returns on investments and servicing of finance			
Interest received		5,187	1,878
Interest paid		(11,160)	(4,950)
Interest element on hire purchase payments		(524)	(591)
Bank and other charges paid		(6,045)	(3,756)
Dividend paid to former shareholders of a subsidiary		–	(30,000)
Dividend paid		(17,500)	–
Net cash outflow from returns on investments and servicing of finance		(30,042)	(37,419)
Taxation			
Hong Kong profits tax paid		(24,403)	(2,234)
Overseas taxation paid		(21,129)	(8,639)
Overseas taxation refund		1,142	915
Net taxation paid		(44,390)	(9,958)
Investing activities			
Purchase of fixed assets		(13,093)	(8,820)
Sale of fixed assets		3,075	373
Purchase of other securities		(44,564)	–
Purchase of non-trading securities		–	(6,575)
Sale of non-trading securities		2,040	–
Increase in bank deposits with maturity more than three months from date of placement		(6,155)	(25,707)
Net cash outflow from investing activities		(58,697)	(40,729)

Consolidated Cash Flow Statement

For the year ended 31st December, 2001

	2001	2000
Note	HK\$'000	HK\$'000
Net cash outflow before financing	(181,169)	(47,699)
Financing		
24(b) Proceeds from issue of shares	–	202,265
Share issue expenses	–	(20,690)
Capital element of hire purchase payments	(3,292)	(5,918)
Increase in long-term bank loans	95,000	–
Repayment of long-term bank loans	(20,131)	(4,848)
Increase in short-term loans	20,987	12,798
Net cash inflow from financing	92,564	183,607
(Decrease)/increase in cash and cash equivalents	(88,605)	135,908
Cash and cash equivalents at 1st January	151,007	14,917
Effect of foreign exchange rate changes	747	182
Cash and cash equivalents at 31st December	63,149	151,007

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Surplus on revaluation of other properties	22	3,527	1,111
Deficit on revaluation of non-trading securities	22	–	(4,747)
Exchange differences arising on translation of subsidiaries	22	574	42
Net gains/(losses) not recognised in the profit and loss account		4,101	(3,594)
Profit attributable to shareholders		163,416	144,415
Add: Deficit on revaluation of non-trading securities realised upon disposal	22	4,747	–
Total recognised gains		172,264	140,821

Notes to the Accounts

1 General Information

- (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 Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries, details of which are set out in note 28 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 these accounts are set out below:

(a) Basis of preparation of the accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, properties and investments in securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for accounting periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

SSAP 31 requires that the carrying amount of an asset is reduced to reflect the decline in value when the recoverable amount of an asset has declined below its carrying amount. In determining the recoverable amount of assets, expected cash flows are discounted to their present values. The assessment on the carrying amounts of assets has indicated an impairment loss of HK\$462,000 which has been charged to consolidated profit and loss account (note 13).

2 Principal Accounting Policies *(continued)*

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

The Reorganisation referred to in note 1(b) above has been reflected in the accounts by regarding the Group as a continuing group. Accordingly, the consolidated accounts for the year ended 31st December, 2000 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 that year 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.

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.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds for the long term and holds more than half of the issued share capital, 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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January, 2001 was taken directly to reserves. Where the fair value of the Group's share of net assets acquired exceed the cost of an acquisition, such differences are taken directly to reserves as capital reserve. This accounting policy has been changed to conform with SSAP 30. The Group has taken advantage of transitional provisions in SSAP 30 and such change has no effect to the accounts for the year.

2 Principal Accounting Policies *(continued)*

(d) Goodwill *(continued)*

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January, 2001 acquisitions, the related goodwill taken directly to reserves to the extent it has not previously been realised in the profit and loss account.

Where an indication of impairment exists, the carrying amount of goodwill, including those previously taken directly to reserves, is assessed and written down immediately to its recoverable amount.

(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(b) 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 over 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 operating profit up to the amount previously debited.

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

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.

2 Principal Accounting Policies *(continued)*

(f) Fixed assets *(continued)*

(ii) Other fixed assets

Leasehold properties and freehold property are interests in land and buildings other than investment properties and 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 and separate values are not attributed to land and buildings. 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 the surplus is recognised as income. A decrease in net carrying amount arising on revaluation of a property 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 property.

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

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%
Motor vehicles	20% to 25%
Furniture, fixtures and equipment	8% 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.

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the balance on revaluation reserve for that same asset, in which case it is treated as a decrease in the revaluation reserve.

2 Principal Accounting Policies *(continued)*

(f) Fixed assets *(continued)*

(iii) Impairment and gain or loss on sale *(continued)*

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 a movement in reserves.

(g) Assets held 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 of these assets, other than legal title, are transferred to the Group, are treated as if they had been purchased. An amount equivalent to the lower of the fair value of the assets held under hire purchase contracts or the present value of minimum hire purchase payments is recorded as a leased asset. The corresponding lease obligations, excluding the interest element, are shown as obligations under hire purchase contracts under long-term liabilities.

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 each hire purchase contracts.

Assets held under hire purchase contracts are depreciated over the shorter of their estimated useful lives or the corresponding periods of hire purchase contracts.

(h) Investments in securities

(i) 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 investments 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.

2 Principal Accounting Policies *(continued)*

(h) Investments in securities *(continued)*

(ii) Other securities

Other securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other securities are recognised in the profit and loss account. Profits or losses on disposal of other securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories primarily 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) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, bank deposits with maturity within three months from date of placement, money market fund, bank overdrafts, bills payables and short-term bank loans with maturity within three months from date of drawdown.

(l) 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.

(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.

2 Principal Accounting Policies *(continued)*

(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, the Philippines, Australia and Singapore, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby these 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 respective countries. The governments of 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 this 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. Contributions to this scheme are 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 both schemes are charged to the profit and loss account as incurred.

(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 year in which they are incurred.

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

2 Principal Accounting Policies *(continued)*

(s) Segment reporting *(continued)*

Unallocated costs represent primarily corporate expenses. Segment assets and liabilities are those operating assets and liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets consist primarily of fixed assets, inventories, trade receivables, other receivables and prepayments and operating cash, and mainly exclude investments in securities, investment properties and non-operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and certain corporate borrowings. Capital expenditure comprises additions to fixed assets (note 13).

In respect of geographical segment reporting, sales are based on the country in which the company operates. Total assets and capital expenditure are where the assets are located.

(t) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(u) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(v) Revenue recognition

The Group recognises revenue 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.

2 Principal Accounting Policies *(continued)*

(v) Revenue recognition *(continued)*

(ii) Revenue from sale of pre-pay airtime using e-pay Terminals

Revenue from the sale of pre-pay airtime using e-pay Terminals is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the pre-pay airtime is delivered to customers and title has passed.

(iii) Interest income

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

(iv) Rental income

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

3 Turnover, Revenue and Segment Information

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

	2001 HK\$'000	2000 HK\$'000
Turnover		
Revenue from sale of mobile phones and accessories, net	5,327,419	3,124,388
Revenue from sale of pre-pay airtime using e-pay Terminals, net	2,136	–
	5,329,555	3,124,388
Other revenues		
Interest income	5,408	1,936
Gross rental income from investment properties	110	72
	5,518	2,008
Total revenues	5,335,073	3,126,396

3 Turnover, Revenue and Segment Information *(continued)*

Primary reporting format – business segments

The Group's segment revenues, expenses, results, assets and liabilities are primarily attributable to trading and distribution of mobile phones and accessories.

Other operations of the Group include sale of pre-pay airtime using e-pay Terminals and holding of investment properties, neither of which are of a sufficient size to be reported separately.

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in five main geographical areas:

- Hong Kong – trading and distribution of mobile phones and accessories.
- Mainland China – trading and distribution of mobile phones and accessories.
- Malaysia – trading and distribution of mobile phones and accessories.
- The U.K. – trading of mobile phones and accessories.
- The Philippines – trading and distribution of mobile phones and accessories and sale of pre-pay airtime using e-pay Terminals.

	Turnover	Segment results	Total assets	Capital expenditure
	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000	2001 HK\$'000
Hong Kong	3,215,346	197,296	668,815	3,945
Mainland China	1,262,030	38,711	299,134	5
Malaysia	537,972	36,639	259,494	5,830
The U.K.	147,495	(20,136)	6,697	2,347
The Philippines	166,565	(4,617)	69,106	4,447
Other countries	147	(2,834)	4,730	408
	<u>5,329,555</u>	<u>245,059</u>	<u>1,307,976</u>	<u>16,982</u>
Unallocated costs		(24,944)		
Interest income		<u>5,408</u>		
Operating profit		<u>225,523</u>		
Unallocated assets			<u>114,556</u>	
Total assets			<u>1,422,532</u>	

3 Turnover, Revenue and Segment Information *(continued)*

Secondary reporting format – geographical segments *(continued)*

	Turnover 2000 HK\$'000	Segment results 2000 HK\$'000	Total assets 2000 HK\$'000	Capital expenditure 2000 HK\$'000
Hong Kong	1,930,832	106,672	309,058	10,232
Mainland China	724,683	47,712	209,747	637
Malaysia	342,183	53,756	266,416	2,510
The U.K.	114,565	(3,205)	19,477	3,309
The Philippines	12,125	(3,739)	21,590	587
	<u>3,124,388</u>	201,196	826,288	<u>17,275</u>
Unallocated costs		(10,090)		
Interest income		<u>1,936</u>		
Operating profit		<u>193,042</u>		
Unallocated assets			<u>105,794</u>	
Total assets			<u>932,082</u>	

4 Cost of Sales

	2001 HK\$'000	2000 HK\$'000
Cost of sales comprises:		
Cost of inventories sold	4,877,763	2,798,395
Other direct costs	39,275	32,816
Provision for inventory loss	10,455	4,318
	<u>4,927,493</u>	<u>2,835,529</u>

5 Operating Profit

Operating profit is stated after crediting and charging the following:

	2001	2000
	HK\$'000	HK\$'000
Crediting		
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
Realised gain on disposal of other securities#	307	–
Unrealised gain on other securities#	2,788	–
Charging		
Auditors' remuneration	2,108	1,704
Deficit on revaluation of an investment property#	200	–
Deficit on revaluation of leasehold properties#	6,790	–
Depreciation		
– owned fixed assets	7,524	3,613
– fixed assets under hire purchase contracts	612	1,924
Impairment of fixed assets other than properties (note 13)#	462	–
Loss on disposal of fixed assets#	2,108	–
Operating leases		
– land and buildings	3,863	2,122
– office equipment	2,678	200
Pre-operating costs	352	120
Provision for bad and doubtful debts	4,279	1,074
Realised loss on disposal of non-trading securities#	4,535	–
Retirement benefit costs (note 11)	2,714	1,585
Staff costs (including directors' remuneration)	83,333	39,400

These are included in other operating expenses, net.

6 Finance Costs

	2001	2000
	HK\$'000	HK\$'000
Interest expenses on:		
– bank loans and overdrafts	9,254	5,270
– other loans wholly repayable within five years	–	1,314
– hire purchase contracts	524	591
– loan from a related party	–	80
Bank and other charges	6,045	3,756
	15,823	11,011

7 Taxation

	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax (note (i))	31,979	15,223
Overseas taxation (note (ii))	19,002	22,313
Overseas tax refund (note (iii))	(1,142)	(915)
Over provision of taxation in prior years	(730)	(637)
	49,109	35,984

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 16% (2000: 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.
- (iii) In accordance with an approval document from 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), a subsidiary which operates in Mainland China was entitled to a refund of enterprise income tax paid for the year ended 31st December, 2000 at a rate of 50%. On 11th January, 2000, the State Council issued a document (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. Tax refund received by the subsidiary is recognised on a cash basis.

7 Taxation *(continued)*

- (iv) There was no material unprovided deferred taxation for the year ended and as at 31st December, 2001 and 2000.
- (v) Deferred taxation on the revaluation surplus and deficit of properties has not been quantified as this does not constitute a timing difference for deferred taxation purposes.

8 Profit Attributable to Shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$55,779,000 (2000: HK\$8,916,000).

9 Dividends

	2001 HK\$'000	2000 HK\$'000
Interim, paid, of HK1 cent (2000: Nil) per share	17,500	–
Final, proposed, of HK1 cent (2000: Nil) per share (note (i))	17,500	–
Dividend paid by a subsidiary to its then shareholders prior to the completion of the Reorganisation (note (ii))	–	30,000
	35,000	30,000

Notes:

- (i) At a meeting of the board of directors held on 12th March, 2002, the directors declared a final dividend of HK1 cent per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2002.
- (ii) 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.

10 Earnings per Share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$163,416,000 (2000: HK\$144,415,000) and on the weighted average number of 1,750,000,000 (2000: 1,462,971,616) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31st December, 2001 (2000: Nil).

11 Retirement Benefit Costs

	2001	2000
	HK\$'000	HK\$'000
Retirement benefit costs	2,714	1,585

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\$679,000 (2000: HK\$195,000) payable to the Retirement Schemes at the year end are included in other payables and accrued charges.

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:

	2001	2000
	HK\$'000	HK\$'000
Fees	832	1,033
Salaries, allowances and benefits in kind	10,249	6,715
Bonuses	4,585	841
Contributions to retirement schemes	163	72
	15,829	8,661

The three independent non-executive directors of the Company as at 31st December, 2001 received only director's fees for the year ended 31st December, 2001 of approximately HK\$300,000 (2000: Nil), HK\$300,000 (2000: Nil) and HK\$125,000 (2000: Nil) respectively. During the year, one independent non-executive director resigned who did not receive emoluments (2000: Nil) and waived fees of HK\$29,000 (2000: Nil).

The three executive directors of the Company received individual emoluments for the year ended 31st December, 2001 of approximately HK\$7,008,000 (2000: HK\$4,552,000), HK\$4,573,000 (2000: HK\$2,491,000) and HK\$3,523,000 (2000: HK\$1,618,000) respectively.

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

12 Directors' and Senior Management's Emoluments (continued)**(a) Directors' emoluments** (continued)

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.

(b) Five highest paid individuals

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

	2001 HK\$'000	2000 HK\$'000
Directors	15,104	8,661
Employees	4,967	2,481
	20,071	11,142

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

	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	3,028	2,103
Bonuses	1,919	131
Contributions to retirement schemes	20	247
	4,967	2,481

The emoluments of employees fell within the following bands:

Emoluments band	Number of individuals	
	2001	2000
Nil to HK\$1,000,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
	2	2

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.

13 Fixed Assets

	Group						Total HK\$'000
	Investment properties HK\$'000	Freehold property HK\$'000	Leasehold properties HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	
Cost or valuation							
At 1st January, 2001	1,700	4,640	39,300	3,433	6,616	17,768	73,457
Exchange adjustment	–	(111)	–	(28)	(3)	(131)	(273)
Additions	–	–	–	1,382	5,352	10,248	16,982
Revaluation	(200)	(228)	(4,500)	–	–	–	(4,928)
Transfers	4,301	(4,301)	–	–	–	–	–
Disposals	–	–	–	(46)	(1,191)	(6,703)	(7,940)
At 31st December, 2001	5,801	–	34,800	4,741	10,774	21,182	77,298
Accumulated depreciation and impairment losses							
At 1st January, 2001	–	–	–	1,487	1,811	4,249	7,547
Exchange adjustment	–	–	–	(4)	(4)	(31)	(39)
Charge for the year	–	181	1,284	846	1,983	3,842	8,136
Impairment charge (note 5)	–	–	–	–	–	462	462
Revaluation	–	(181)	(1,284)	–	–	–	(1,465)
Disposals	–	–	–	(34)	(720)	(2,003)	(2,757)
At 31st December, 2001	–	–	–	2,295	3,070	6,519	11,884
Net book value							
At 31st December, 2001	5,801	–	34,800	2,446	7,704	14,663	65,414
At 31st December, 2000	1,700	4,640	39,300	1,946	4,805	13,519	65,910

13 Fixed Assets (continued)

	Group						Total HK\$'000
	Investment properties HK\$'000	Freehold property HK\$'000	Leasehold properties HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	

The analysis of the cost or valuation at 31st December, 2001 and 2000 of the above assets is as follows:

At cost	-	-	-	4,741	10,774	21,182	36,697
At 2001 professional valuation	5,801	-	34,800	-	-	-	40,601
At 31st December, 2001	5,801	-	34,800	4,741	10,774	21,182	77,298
At cost	-	-	-	3,433	6,616	17,768	27,817
At 2000 professional valuation	1,700	4,640	39,300	-	-	-	45,640
At 31st December, 2000	1,700	4,640	39,300	3,433	6,616	17,768	73,457

Net book value of assets under hire purchase contracts:

At 31st December, 2001	-	-	-	-	5,944	-	5,944
At 31st December, 2000	-	-	-	-	4,030	4,504	8,534

The Group's interests in investment properties, freehold property and leasehold properties, which located in and outside Hong Kong, are analysed at their net book values as follows:

	Group					
	Investment properties		Freehold property		Leasehold properties	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
In Hong Kong						
Leases between 10 to 50 years	1,500	1,700	-	-	34,800	39,300
Outside Hong Kong						
Freehold	4,301	-	-	4,640	-	-
At 31st December	5,801	1,700	-	4,640	34,800	39,300

13 Fixed Assets *(continued)*

The Group's investment properties and leasehold properties were revalued by Sallmanns (Far East) Limited and Eddisons Commercial Ltd, independent professional valuers, on the basis of their open market values as at 31st December, 2001.

The carrying value of leasehold properties as at 31st December, 2001 would have been approximately HK\$37,014,000 (2000: leasehold properties and freehold property totalling HK\$42,829,000) had these properties been stated at cost less accumulated depreciation.

At 31st December, 2001, all properties with an aggregate net book value of approximately HK\$40,601,000 (2000: HK\$45,640,000) have been pledged to banks to secure the Group's banking facilities.

14 Investments in Subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	159,822	159,822
Amounts due from subsidiaries	179,002	90,274
Amounts due to subsidiaries	–	(1,193)
	338,824	248,903

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 28 to the accounts.

15 Investments in Securities

(a) Non-trading securities

	Group	
	2001 HK\$'000	2000 HK\$'000
Equity securities, at fair value – listed outside Hong Kong	–	1,828

15 Investments in Securities *(continued)***(b) Other securities**

	Group	
	2001 HK\$'000	2000 HK\$'000
Equity securities, at fair value		
– listed outside Hong Kong	42,804	–
Money market fund, at fair value		
– unlisted	344	–
	43,148	–
Market value of listed securities	42,804	–

16 Inventories

	Group	
	2001 HK\$'000	2000 HK\$'000
Merchandises, at cost	219,067	189,306
Provision	(6,696)	(2,568)
	212,371	186,738

At 31st December, 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK\$42,284,000 (2000: HK\$5,107,000).

At 31st December, 2001, the carrying amount of inventories that are pledged as security for short-term banking facilities amounted to HK\$10,363,000 (2000: Nil).

17 Trade Receivables

The normal credit period granted to the customers of the Group is up to 90 days, except for sales made to certain credit worthy customers to which a slightly longer credit period may be granted.

At 31st December, 2001, the ageing analysis of the trade receivables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	450,694	269,768
31-60 days	109,316	58,521
61-90 days	79,603	12,213
91-120 days	548	32,153
Over 120 days	18,731	37,421
Less: provision	(9,139)	(5,256)
	649,753	404,820

18 Bank Balances and Cash

Included in the bank balances and cash as at 31st December, 2001 were amounts of approximately HK\$45,336,000 (2000: HK\$38,911,000) denominated in Renminbi not freely convertible to other currencies. Included also in the bank balances and cash as at 31st December, 2001 were amounts of approximately HK\$65,446,000 (2000: HK\$49,985,000) 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, 2001 were fixed deposits of approximately HK\$212,025,000 (2000: HK\$40,456,000) pledged as collateral for the Group's short-term banking facilities.

19 Trade Payables

At 31st December, 2001, the ageing analysis of the trade payables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	250,981	318,188
31-60 days	82,375	74,044
61-90 days	47,545	29,491
91-120 days	7,377	356
Over 120 days	7,162	1,099
	395,440	423,178

20 Other Short-term Loans

The other short-term loan as at 31st December, 2000 was unsecured, interest free and was fully repaid during the year.

21 Share Capital

	Number of shares of HK\$0.10 each	HK\$'000
<i>Authorised:</i>		
On incorporation at 5th May, 2000 (note (a))	1,000,000	100
Increase on 15th December, 2000 (note (b)(i))	2,999,000,000	299,900
At 31st December, 2001 and 2000	3,000,000,000	300,000
<i>Issued and fully paid:</i>		
Shares allotted and issued on 9th May, 2000 (note (a))	10,000	1
Shares allotted and issued for acquisition of subsidiaries (note (b) (ii))	790,000	79
Pre-listing issue (note (b) (iii))	85,722	9
Capitalisation issue (note (b) (iv))	1,609,114,278	160,911
Placing of shares (note (c))	140,000,000	14,000
At 31st December, 2001 and 2000	1,750,000,000	175,000

21 Share Capital *(continued)***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.
- (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.

21 Share Capital *(continued)*

Notes: *(continued)*

(d) 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 ("Pre-Listing Share Option Plan") were approved and adopted.

(i) Share Option Scheme

Under the Share Option Scheme, the board of directors (the "Board") or a duly authorised committee thereof which shall include the independent non-executive directors (the "Committee") 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 at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation 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 quotation 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.

Options granted under this scheme may be exercised within a period to be notified by the Board or the Committee to each grantee and in any event such period of time shall not be less than three years and more than nine years commencing on the expiry of six months after the date on which an offer of the grant of an option is accepted and expiring on the last day of such period or 14th December, 2010, whichever is the earlier.

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, 2001, no options (2000: Nil) had been granted under the Share Option Scheme.

(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.

21 Share Capital *(continued)***Notes:** *(continued)*(d) Share option schemes *(continued)*(ii) Pre-Listing Share Option Plan *(continued)*

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 options.

During the year, options to subscribe for 4,296,250 shares in the Company lapsed due to the resignation of employees. As at 31st December, 2001, there are options remaining to subscribe for an aggregate of 170,668,750 shares. This comprised options to subscribe for an aggregate of 132,125,000 shares granted to the 3 executive directors of the Company, options to subscribe for an aggregate of 34,125,000 shares granted to 10 senior management staff and options to subscribe for an aggregate of 4,418,750 shares granted to 48 employees.

No options (2000: Nil) had been exercised or cancelled during the year ended 31st December, 2001.

22 Reserves

	Share premium HK\$'000	Other properties revaluation reserve (note (c)) HK\$'000	Investments revaluation reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Reserve fund (note (a)) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Group									
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
Dividend (note 9(ii))	–	–	–	–	–	–	–	(30,000)	(30,000)
Profit for the year	–	–	–	–	–	–	–	144,415	144,415
At 31st December, 2000	6,655	1,111	(4,747)	3,994	162	1,868	(26)	165,095	174,112
At 1st January, 2001	6,655	1,111	(4,747)	3,994	162	1,868	(26)	165,095	174,112
Deficit on revaluation of non-trading securities realised upon disposal	–	–	4,747	–	–	–	–	–	4,747
Surplus on revaluation of other properties	–	3,527	–	–	–	–	–	–	3,527
Transfer between reserves	–	–	–	–	–	82	–	(82)	–
Exchange differences	–	–	–	–	–	–	574	–	574
2001 interim dividend (note 9)	–	–	–	–	–	–	–	(17,500)	(17,500)
Profit for the year	–	–	–	–	–	–	–	163,416	163,416
At 31st December, 2001	6,655	4,638	–	3,994	162	1,950	548	310,929	328,876
Representing:									
Reserves	6,655	4,638	–	3,994	162	1,950	548	293,429	311,376
Proposed final dividend (note 9(i))	–	–	–	–	–	–	–	17,500	17,500
	6,655	4,638	–	3,994	162	1,950	548	310,929	328,876

22 Reserves (continued)

	Share premium (note (b)) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Company			
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	–	8,916	8,916
At 31st December, 2000	166,397	8,916	175,313
At 1st January, 2001	166,397	8,916	175,313
Profit for the year	–	55,779	55,779
2001 interim dividend (note 9)	–	(17,500)	(17,500)
At 31st December, 2001	166,397	47,195	213,592
Representing:			
Reserves	166,397	29,695	196,092
Proposed final dividend (note 9(i))	–	17,500	17,500
	166,397	47,195	213,592

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 appropriation 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, 2001, 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\$213,592,000 (2000: HK\$175,313,000).
- (c) Included in the other properties revaluation reserve as at 31st December, 2001 was a revaluation surplus of approximately HK\$146,000 attributable to a freehold property which was reclassified as an investment property during the year (refer note 13).

23 Long-term Liabilities

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans		
– secured (notes (d) and (e))	14,420	19,602
– unsecured	80,000	–
	94,420	19,602
Obligations under hire purchase contracts (note (c))	4,597	4,010
	99,017	23,612
Current portion of long-term liabilities	(4,731)	(10,906)
	94,286	12,706

Notes:

	2001 HK\$'000	2000 HK\$'000
(a) The analysis of the above is as follows:		
Bank loans		
Wholly repayable within five years	92,547	16,042
Not wholly repayable within five years	1,873	3,560
	94,420	19,602
Obligations under hire purchase contracts		
Wholly repayable within five years	3,611	4,010
Not wholly repayable within five years	986	–
	99,017	23,612
Current portion of long-term liabilities	(4,731)	(10,906)
	94,286	12,706

(b) The maturity of the long-term liabilities is as follows:

At 31st December, 2001, the Group's bank loans were repayable as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	3,185	8,525
In the second year	51,311	2,298
In the third to fifth year	39,681	5,219
After the fifth year	243	3,560
	94,420	19,602

23 Long-term Liabilities (continued)

- (b) The maturity of the long-term liabilities is as follows: (continued)

At 31st December, 2001, the Group's outstanding obligations under hire purchase contracts were repayable as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	1,949	2,683
In the second year	1,745	826
In the third to fifth year	1,912	1,227
After the fifth year	60	–
	5,666	4,736
Future finance charges on obligations under hire purchase contracts	(1,069)	(726)
Present value of obligations under hire purchase contracts	4,597	4,010

The present value of obligations under hire purchase contracts was analysed as follows:

	2001	2000
	HK\$'000	HK\$'000
Within one year	1,546	2,381
In the second year	1,442	659
In the third to fifth year	1,562	970
After the fifth year	47	–
	4,597	4,010

- (c) Interest is charged on the outstanding obligations under hire purchase contracts at rates ranging from 5% to 18% (2000: 5% to 15%) per annum.
- (d) At 31st December, 2001, all properties of the Group with an aggregate net book value of approximately HK\$40,601,000 (2000: HK\$45,640,000) have been pledged to banks to secure the Group's banking facilities (note 13).
- (e) All current and future assets of a subsidiary in the U.K. are also pledged as security for a general banking facility. The gross assets of the subsidiary as at 31st December, 2001 (including an investment property with a net book value of approximately HK\$4,301,000 (2000: freehold property of HK\$4,640,000) in note (d) above) was approximately HK\$10,879,000 (2000: HK\$28,603,000) and the related bank loan drawdown was approximately HK\$1,873,000 (2000: HK\$2,174,000).

24 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Operating profit	225,523	193,042
Depreciation	8,136	5,537
Interest income	(5,408)	(1,936)
Impairment of fixed assets other than properties	462	–
Loss/(gain) on disposal of fixed assets	2,108	(83)
Realised loss on disposal of non-trading securities	4,535	–
Deficit/(surplus) on revaluation of properties	6,990	(90)
Unrealised gain on other securities	(2,788)	–
Realised gain on disposal of other securities	(307)	–
Increase in inventories	(25,633)	(154,235)
Increase in trade and other receivables and prepayments	(255,809)	(316,554)
(Decrease)/increase in trade and other payables and accrued charges	(5,849)	299,307
Decrease in amounts due to directors	–	(698)
Decrease in amount due from a director	–	168
Decrease in amount due from a related company	–	25,793
Decrease in amounts due to related parties	–	(490)
Decrease in amounts due to related companies	–	(9,354)
Net cash (outflow)/inflow from operating activities	(48,040)	40,407

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under hire purchase contracts	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st January	181,655	80	5,227	3,776	39,375	29,134
Exchange differences	–	–	–	24	(61)	(247)
Minority interests' in share of (losses)/profits and exchange reserves	–	–	(2,825)	1,632	–	–
Cash inflows from financing	–	–	–	–	92,564	2,032
Proceeds from issue of shares	–	202,265	–	–	–	–
Share issue expenses	–	(20,690)	–	–	–	–
Dividend payable to a minority shareholder	–	–	–	(205)	–	–
Inception of hire purchase contracts	–	–	–	–	3,889	8,456
At 31st December	181,655	181,655	2,402	5,227	135,767	39,375

24 Notes to the Consolidated Cash Flow Statement (continued)**(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\$3,889,000 (2000: HK\$8,456,000).

(d) Analysis of balances of cash and cash equivalents

	2001 HK\$'000	2000 HK\$'000
Bank balances and cash	396,970	233,862
Bank deposits with maturity more than three months from date of placement	(47,037)	(40,882)
Money market fund	344	–
Bills payable	(47,422)	(11,489)
Short-term bank loans and overdrafts with maturity within three months from date of drawdown	(239,706)	(30,484)
	63,149	151,007

25 Contingent Liabilities

	Company	
	2001 HK\$'000	2000 HK\$'000
Guarantees executed in favour of banks for securing banking facilities granted to subsidiaries	545,041	–

Management anticipate that no material liabilities will arise from the above bank guarantees which arose in the ordinary course of business.

26 Commitments**(a) Capital commitments for purchase of assets**

	Group	
	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	11,284	–

26 Commitments *(continued)***(b) Commitments under operating leases**

- (i) At 31st December, 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2001 HK\$'000	(Restated) 2000 HK\$'000	2001 HK\$'000	(Restated) 2000 HK\$'000
Not later than one year	5,764	1,353	393	548
Later than one year and not later than five years	7,589	857	23	417
Later than five years	3,280	–	–	–
	16,633	2,210	416	965

Comparative figures have been restated to comply with the revised SSAP 14, which was issued by the HKSA and became effective for accounting periods beginning on or after 1st July, 2000.

- (ii) At 31st December, 2001, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2001 HK\$'000	2000 HK\$'000
Land and buildings		
Not later than one year	459	48
Later than one year and not later than five years	1,811	–
	2,270	48

(c) Other commitments

At 31st December, 2001, the Group had approximately HK\$118,396,000 (2000: Nil) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

27 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	2001 HK\$'000	2000 HK\$'000
Sales of mobile phones and accessories to a related company			
– First Mobile Singapore Pte Ltd ("FMS")	(i)	–	36,533
Purchases of mobile phones and accessories from related companies:			
– Grace Global Limited	(ii)	–	23,914
– United Straits Cellular International Limited	(ii)	–	404,298

- (i) Sales of mobile phones and accessories to FMS were at cost for the six months ended 30th June, 2000.

FMS, a former subsidiary, was disposed of to an independent third party on 30th June, 2000 and became an unrelated company to the Group since that date. FMS continued 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. Trading transactions conducted by the Group with FMS subsequent to 30th June, 2000 no longer constitute related party transactions and are therefore not disclosed above.

- (ii) Purchases of mobile phones and accessories from these related companies were at cost. These related companies acted as sourcing agents and/or financing agents of the Group for purchases of mobile phones and accessories from suppliers.

- (b) 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). During the year ended 31st December, 2001, guarantees and charges provided by certain directors of the Company and a connected person for the Group's banking facilities totalling HK\$98.2 million were released and/or replaced by new banking facilities with corporate guarantees given by the Company. As at 31st December, 2001, the Group's banking facilities of approximately HK\$15.4 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) 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); and
- (ii) personal guarantees of Mr. Ng Kok Tai and Mr. Ng Kok Hong.

27 Related Party Transactions *(continued)*

The Group has obtained written consents from the relevant banks for the release of the above guarantees and pledges in exchange for corporate guarantees provided by the Company and has been informed by the relevant banks that the release will be completed upon perfection of all related legal documentations.

As at the date of this report, legal documentations in relation to the release of the above guarantees and pledges have been completed.

28 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	Region/ place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2001	2000	
Direct subsidiary:						
E-Tech Resources Limited	British Virgin Islands	British Virgin Islands	10,000 shares of US\$1 each	100%	100%	Investment holding and provision for management services
Indirect subsidiaries:						
* Contact Mobile Pte Ltd (formerly First Mobile Telecommunication Pte Ltd)	Singapore	Singapore	10,000 ordinary shares of S\$1 each	100%	–	Sale of pre-pay cards for logo downloadings
e-pay Asia Limited	Hong Kong	Hong Kong	20,000 shares of HK\$1 each	70%	70%	Investment holding
e-pay Asia (Phils.), Inc. (formerly First e-pay Asia Phils., Inc.)	Republic of the Philippines	Republic of the Philippines	5,000,000 shares of P1 each	70%	–	Sale of pre-pay airtime using e-pay Terminals
Exquisite Model Sdn. Bhd.	Malaysia	Malaysia	1,000,000 ordinary shares of RM1 each	100%	100%	Trading of mobile phones

28 Principal Subsidiaries *(continued)*

Company	Country/ place of incorporation/ registration	Region/ place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2001	2000	
Indirect subsidiaries: <i>(continued)</i>						
First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500 shares of P1 each	100%	100%	Trading and distribution of mobile phones
First E-Pro Limited	Hong Kong	Hong Kong	10,000 shares of HK\$1 each	100%	100%	Investment holding
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
* First Mobile India Private Limited	India	India	10,000 equity shares of INR10 each	100%	–	Trading and distribution of mobile phones
* First Mobile Japan Co., Ltd.	Japan	Japan	800 shares of JPY50,000 each	100%	–	Provision of Voice-over-IP ("VoIP") services
* First Mobile UK Limited	The U.K.	The U.K.	10,500 ordinary shares of GBP1 each	100%	100%	Trading of mobile phones
* First Telecom International (Australia) Pty Ltd	Australia	Australia	1,000 ordinary shares of AUD1 each	100%	100%	Trading and distribution of mobile phones
First Telecom International Limited	Hong Kong	Hong Kong	20,000,000 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	–	–	

28 Principal Subsidiaries *(continued)*

Company	Country/ place of incorporation/ registration	Region/ place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2001	2000	
Indirect subsidiaries: <i>(continued)</i>						
* Freedomobile Limited	The U.K.	The U.K.	1 ordinary share of GBP1	100%	100%	Trading of mobile phones
* Minton Technology Limited	British Virgin Islands	The Asia Pacific Region	1 share of US\$1	100%	100%	Provision of marketing and technical services
Mobile Distribution (M) Sdn. Bhd.	Malaysia	Malaysia	200,000 ordinary shares of RM1 each	100%	100%	Trading and distribution of mobile phones
Mobile Distribution Inc.	Republic of the Philippines	Republic of the Philippines	5,000 shares of P1 each	100%	–	Trading and distribution of mobile phones
* Precision SARL	France	France	850 shares of 10 Euro each	100%	–	Trading of mobile phones
Shanghai Fast Telcon Equipment International Trading Co., Ltd.	The People's Republic of China	The People's Republic of China	US\$500,000	100%	100%	Trading and distribution of mobile phones
# Viscocom Sdn. Bhd.	Malaysia	Malaysia	250,002 ordinary shares of RM1 each	50%	50%	Trading and distribution of mobile phones

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

* Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net liabilities, turnover and net loss before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately -4.7%, 2.8% and -8.7% (2000: -1.1%, 3.7% and -1.7%) of the Group's net assets, turnover and profit before taxation respectively.

29 Approval of Accounts

The accounts were approved by the board of directors on 12th March, 2002.

Financial Summary

Combined/Consolidated Results

	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,851,024	1,622,613	3,124,388	5,329,555
Operating profit/(loss)	(6,141)	69,899	193,042	225,523
Finance costs	(16,458)	(11,772)	(11,011)	(15,823)
Profit/(loss) before taxation	(22,599)	58,127	182,031	209,700
Taxation	2,787	(3,332)	(35,984)	(49,109)
Profit/(loss) after taxation	(19,812)	54,795	146,047	160,591
Minority interests	(100)	(3,420)	(1,632)	2,825
Profit/(loss) attributable to shareholders	(19,912)	51,375	144,415	163,416
Dividends	(3,000)	–	(30,000)	(35,000)

Combined/Consolidated Assets and Liabilities

	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	53,614	67,738	65,414
Current assets	239,120	864,344	1,357,118
Current liabilities	211,736	565,037	821,968
Non-current liabilities	20,506	12,706	94,286
Shareholders' funds	56,716	349,112	503,876

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 combined results, assets and liabilities for each of the years ended 31st December, 1998 and 1999 are prepared based on the audited accounts of the companies now comprising the Group as if the current group structure had been in existence throughout these two years presented.
2. The above financial summary as of and for the years ended 31st December, 2000 and 2001 have been extracted from the audited accounts of the Group as set out on pages 46 to 48 of the annual report.
3. The combined balance sheet as at 31st December, 1999 was extracted from the audited accounts of the Group for the year ended 31st December, 2000.
4. The combined financial summary for each of the years ended 31st December, 1998 and 1999 were 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("Meeting") of First Mobile Group Holdings Limited (the "Company") will be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Thursday, 25th April, 2002 at 3:00 p.m. for the following purposes:

1. To consider and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2001;
2. To declare the final dividend for the year ended 31st December, 2001;
3. To re-elect retiring directors and to authorise the board of directors to fix the directors' fees;
4. To re-appoint the auditors and to authorise the board of directors to fix their remuneration; and
5. As special business, to consider and, if thought fit, pass, with or without modification, the following 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 “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 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 5 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;

Notice of Annual General Meeting

- (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 5 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 5 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 5 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, 12th March, 2002

Principal place of business:

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

Notes:

1. 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.
2. The register of members of the Company will be closed from Friday, 19th April, 2002 to Thursday, 25th April, 2002, both days inclusive, during which period no transfer of shares may be registered. In order to qualify for the proposed final dividend and establish identity of the members who are entitled to attend and vote at the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration, not later than 4:00 p.m. on Thursday, 18th April, 2002.
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 at 5th Floor, Wing On Centre, 111 Connaught 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 5 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 2001 annual report.



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