



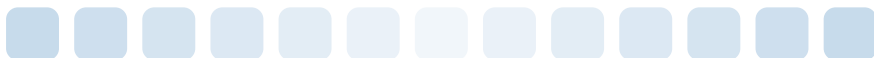
Mastering the Mobile Arena

## **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](http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.**



## HIGHLIGHTS

For the six months ended 30th June, 2002, First Mobile Group Holdings Limited and its subsidiaries performed satisfactorily. Highlights of the six months' performance are as follows:

- The Group achieved a turnover of approximately HK\$2,977 million, representing an increase of 25% over the same period of 2001
- Gross profit was approximately HK\$192 million, an increase of 26% over the same period of 2001
- Profit attributable to shareholders was approximately HK\$92 million, an increase of 39% over the same period of 2001
- Basic earnings per share was HK5.24 cents, an increase of 38% over the same period of 2001
- 18 new models of Samsung, Motorola, Sony Ericsson, Sewon, Maxon, Kyocera, Panasonic, Sanyo, Digitec and Philips were added to the extensive product portfolio
- Sold approximately 2.1 million units of mobile phones
- Proposed interim dividend is HK1 cent per share



## RESULTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated profit and loss account of the Company and its subsidiaries (collectively the "Group") for the three months and the six months ended 30th June, 2002 (the "Periods"), the unaudited condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the six months ended 30th June, 2002 and the unaudited condensed consolidated balance sheet of the Group as at 30th June, 2002, together with the comparative figures in 2001:

### Unaudited Condensed Consolidated Profit and Loss Account

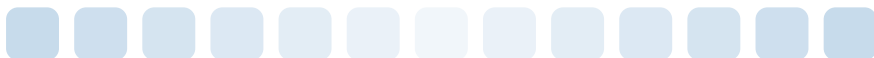
*For the three months and the six months ended 30th June, 2002*

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	<b>1,726,201</b>	1,344,855	<b>2,977,171</b>	2,380,319
Cost of sales		<b>(1,633,306)</b>	(1,259,362)	<b>(2,785,437)</b>	(2,227,600)
Gross profit		<b>92,895</b>	85,493	<b>191,734</b>	152,719
Other revenues	2	<b>1,291</b>	1,194	<b>2,712</b>	2,560
Selling and distribution expenses		<b>(9,640)</b>	(10,709)	<b>(23,277)</b>	(18,990)
General and administrative expenses		<b>(30,539)</b>	(29,485)	<b>(56,725)</b>	(53,420)
Other operating income/(expenses), net	3	<b>8,931</b>	(2,822)	<b>12,123</b>	7,079
Operating profit	4	<b>62,938</b>	43,671	<b>126,567</b>	89,948
Finance costs	5	<b>(7,088)</b>	(3,030)	<b>(11,939)</b>	(5,276)
Share of profits less losses of jointly controlled entities		<b>115</b>	-	<b>115</b>	-
Profit before taxation		<b>55,965</b>	40,641	<b>114,743</b>	84,672
Taxation	6	<b>(12,477)</b>	(10,420)	<b>(25,765)</b>	(17,900)
Profit after taxation		<b>43,488</b>	30,221	<b>88,978</b>	66,772
Minority interests		<b>2,524</b>	(1,042)	<b>2,954</b>	(442)
Profit attributable to shareholders		<b>46,012</b>	29,179	<b>91,932</b>	66,330
Dividend	7	<b>19,457</b>	17,500	<b>19,457</b>	17,500
Earnings per share	8				
– Basic		<b>HK2.62 cents</b>	HK1.67 cents	<b>HK5.24 cents</b>	HK3.79 cents
– Diluted		<b>HK2.61 cents</b>	HK1.66 cents	<b>HK5.19 cents</b>	HK3.74 cents

**Unaudited Condensed Consolidated Balance Sheet***As at 30th June, 2002*

	<i>Note</i>	<b>30th June, 2002 (unaudited) HK\$'000</b>	31st December, 2001 (audited) HK\$'000
Non-current assets			
Intangible assets	9	<b>21,857</b>	–
Fixed assets	9	<b>88,189</b>	65,414
Investments in jointly controlled entities		<b>877</b>	–
		<b>110,923</b>	65,414
Current assets			
Inventories		<b>335,147</b>	212,371
Other securities		<b>549</b>	43,148
Trade receivables	10	<b>913,152</b>	649,753
Other receivables and prepayments		<b>54,594</b>	54,876
Bank balances and cash			
– pledged		<b>228,762</b>	212,025
– not pledged		<b>271,587</b>	184,945
		<b>1,803,791</b>	1,357,118
Current liabilities			
Trade payables	11	<b>515,511</b>	395,440
Bills payable		<b>116,114</b>	47,422
Other payables and accrued charges		<b>80,073</b>	64,556
Current portion of long-term liabilities		<b>16,813</b>	4,731
Taxation payable		<b>42,195</b>	33,363
Bank loans and overdrafts (secured)		<b>344,601</b>	276,456
		<b>1,115,307</b>	821,968
Net current assets		<b>688,484</b>	535,150
Total assets less current liabilities		<b>799,407</b>	600,564

	<i>Note</i>	<b>30th June, 2002 (unaudited) HK\$'000</b>	31st December, 2001 (audited) HK\$'000
Financed by:			
Share capital	12	<b>194,570</b>	175,000
Reserves		<b>523,108</b>	311,376
Proposed final dividend		–	17,500
Shareholders' funds		<b>717,678</b>	503,876
Minority interests		<b>1,497</b>	2,402
Non-current liabilities			
Long-term liabilities		<b>80,232</b>	94,286
		<b>799,407</b>	600,564



**Unaudited Condensed Consolidated Cash Flow Statement***For the six months ended 30th June, 2002*

	<b>Six months ended 30th June,</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Net cash outflow from operating activities	<b>(159,978)</b>	(77,362)
Net cash inflow from investing activities	<b>46,197</b>	26,457
Net cash inflow/(outflow) from financing activities	<b>84,408</b>	(1,359)
Decrease in cash and cash equivalents	<b>(29,373)</b>	(52,264)
Cash and cash equivalents at 1st January	<b>63,149</b>	151,007
Effect of foreign exchange rate changes	<b>(935)</b>	1,264
Cash and cash equivalents at 30th June	<b>32,841</b>	100,007

**Analysis of balances of cash and cash equivalents**

	<b>30th June, 2002</b>	30th June, 2001
	<b>HK\$'000</b>	HK\$'000
Bank balances and cash	<b>500,349</b>	221,821
Bank deposits with maturity more than three months from date of placement	<b>(29,974)</b>	(11,045)
Money market fund	<b>549</b>	-
Bills payable	<b>(116,114)</b>	(11,702)
Short-term bank loans and overdrafts with maturity within three months from date of drawdown	<b>(321,969)</b>	(99,067)
	<b>32,841</b>	100,007

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2002

	Share capital HK\$'000	Share premium HK\$'000	Other properties		Merger reserve HK\$'000	Capital reserve HK\$'000	Reserve fund (note (ii)) HK\$'000	Exchange reserve HK\$'000	Retained earnings (note (ii)) HK\$'000	Total HK\$'000
			revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000						
<b>Balance at 1st</b>										
January, 2002	175,000	6,655	4,638	-	3,994	162	1,950	548	310,929	503,876
<b>Net gains/(losses) not recognised in the profit and loss account</b>										
Exchange differences	-	-	-	-	-	-	-	(803)	-	(803)
<b>Profit attributable to shareholders</b>	-	-	-	-	-	-	-	-	91,932	91,932
<b>2001 final dividend</b> (note 7(ii))	-	-	-	-	-	-	-	-	(17,500)	(17,500)
Issue of shares	19,570	129,289	-	-	-	-	-	-	-	148,859
Share issue expenses	-	(8,686)	-	-	-	-	-	-	-	(8,686)
<b>Balance at 30th</b>										
June, 2002	194,570	127,258	4,638	-	3,994	162	1,950	(255)	385,361	717,678
<b>Balance at 1st</b>										
January, 2001	175,000	6,655	1,111	(4,747)	3,994	162	1,868	(26)	165,095	349,112
<b>Net gains/(losses) not recognised in the profit and loss account</b>										
Exchange differences	-	-	-	-	-	-	-	806	-	806
<b>Profit attributable to shareholders</b>	-	-	-	-	-	-	-	-	66,330	66,330
<b>Balance at 30th</b>										
June, 2001	175,000	6,655	1,111	(4,747)	3,994	162	1,868	780	231,425	416,248

### Notes:

- (i) In accordance with the relevant regulations in the People's Republic of China (the "PRC") applicable to wholly foreign owned enterprises, the PRC subsidiary of the Group is required to appropriate to the reserve fund an amount of not less than 10% of the amount of profit after taxation (based on figures reported in the statutory accounts). If the accumulated total of the reserve fund reaches 50% of the registered capital of the PRC subsidiary, the enterprise will not be required to make any further appropriation. The reserve fund may be used to reduce any losses incurred by the PRC subsidiary. The appropriation is made only at 31st December.



(ii) Retained earnings as at 30th June, 2002 and 2001 are analysed below:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Retained earnings	<b>365,904</b>	213,925
Interim dividend proposed	<b>19,457</b>	17,500
	<b>385,361</b>	231,425

Notes:

## 1. Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2001 annual report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December, 2001 except for the following:

- (a) the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:
- |                   |   |                                      |
|-------------------|---|--------------------------------------|
| SSAP 1 (revised)  | : | Presentation of financial statements |
| SSAP 11 (revised) | : | Foreign currency translation         |
| SSAP 15 (revised) | : | Cash flow statements                 |
| SSAP 25 (revised) | : | Interim financial reporting          |
| SSAP 33           | : | Discontinuing operations             |
| SSAP 34           | : | Employee benefits                    |
- (b) the Group has also adopted a new accounting policy for jointly controlled entities following its establishment of jointly controlled entities during the six months ended 30th June, 2002.

The changes to the Group's principal accounting policies and the effect of adopting these new policies is set out below:

(a) *SSAP 11 (revised): Foreign currency translation*

The balance sheet of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(b) *SSAP 34: Employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

In prior periods, no provision was made for employee annual leave entitlements. However, the provision for the annual leaves in respect of prior periods has not been restated as the effect of this change is not material to the current and prior periods.

(c) *Jointly controlled entities*

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the period, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated amortisation) on acquisition.



## 2. Turnover, revenues 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 sales 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 Periods are as follows:

	Three months ended 30th June,		Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Revenue from sale of mobile phones and accessories, net	1,723,060	1,344,855	2,971,593	2,380,319
Revenue from sale of pre-pay airtime using e-pay Terminals, net	3,141	–	5,578	–
	<u>1,726,201</u>	<u>1,344,855</u>	<u>2,977,171</u>	<u>2,380,319</u>
Other revenues				
Interest income	931	1,176	2,194	2,524
Gross rental income from investment properties	104	18	262	36
Other rental income	256	–	256	–
	<u>1,291</u>	<u>1,194</u>	<u>2,712</u>	<u>2,560</u>
Total revenues	<u>1,727,492</u>	<u>1,346,049</u>	<u>2,979,883</u>	<u>2,382,879</u>

### 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.

## 3. Other operating income/(expenses), net

Other operating income/(expenses), net for the six months ended 30th June, 2002 mainly comprised exchange differences and realised gain on disposals of other securities.

#### 4. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 30th June,		Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Crediting</b>				
Realised gain on disposals of other securities	<b>6</b>	–	<b>4,290</b>	–
<b>Charging</b>				
Cost of inventories sold	<b>1,617,692</b>	1,246,264	<b>2,764,498</b>	2,203,578
Depreciation				
– owned fixed assets	<b>1,833</b>	1,868	<b>3,651</b>	3,487
– fixed assets under hire purchase contracts	<b>430</b>	136	<b>851</b>	225

#### 5. Finance costs

	Three months ended 30th June,		Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Interest expenses on:				
– bank loans and overdrafts	<b>5,623</b>	1,616	<b>9,113</b>	3,185
– hire purchase contracts	<b>110</b>	206	<b>216</b>	309
Bank and other charges	<b>1,355</b>	1,208	<b>2,610</b>	1,782
	<b>7,088</b>	3,030	<b>11,939</b>	5,276

#### 6. Taxation

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

	Three months ended 30th June,		Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax (note (i))	<b>7,516</b>	3,193	<b>16,706</b>	6,654
Overseas taxation (note (ii))	<b>4,943</b>	7,565	<b>9,041</b>	12,288
Deferred tax credit (note (iii))	–	(338)	–	(1,042)
	<b>12,459</b>	10,420	<b>25,747</b>	17,900
Share of taxation attributable to a jointly controlled entity	<b>18</b>	–	<b>18</b>	–
	<b>12,477</b>	10,420	<b>25,765</b>	17,900

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the Periods.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the Periods at the rates of taxation prevailing in the countries in which the Group operates.
- (iii) The deferred tax credit for the six months ended 30th June, 2001 was recognised in respect of tax losses of a subsidiary in the United Kingdom.

**7. Dividend**

	<b>Six months ended 30th June,</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interim, proposed, of HK1 cent (2001: HK1 cent) per share ( <i>note (iii)</i> )	<b>19,457</b>	17,500

Notes:

- (i) At a meeting of the board of directors held on 12th March, 2002, the directors proposed a final dividend of HK1 cent per share or a total of HK\$17,500,000 for the year ended 31st December, 2001, which was paid on 17th May, 2002 and has been reflected as an appropriation of retained earnings for the six months ended 30th June, 2002.
- (ii) At a meeting of the board of directors held on 13th August, 2002, the directors declared an interim dividend of HK1 cent per share or a total of HK\$19,456,966 for the period ended 30th June, 2002. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2002.

**8. Earnings per share**

Basic earnings per share for the three months and the six months ended 30th June, 2002 are calculated based on the profit attributable to shareholders of HK\$46,012,000 and HK\$91,932,000 respectively (2001: HK\$29,179,000 and HK\$66,330,000 respectively) and on the weighted average number of 1,758,997,757 shares and 1,754,523,734 shares respectively (2001: 1,750,000,000 shares and 1,750,000,000 shares respectively) in issue during the Periods.

Diluted earnings per share for the three months and the six months ended 30th June, 2002 are calculated based on 1,761,727,057 shares and 1,769,690,379 shares respectively which are the weighted average number of shares in issue during the Periods plus the weighted average of 2,729,300 shares and 15,166,645 shares respectively deemed to be issued at no consideration if all outstanding options had been exercised.

Diluted earnings per share for the three months and the six months ended 30th June, 2001 were calculated based on 1,753,480,838 and 1,771,469,985 shares respectively which are the weighted average number of shares in issue during



these periods plus the weighted average of 3,480,838 shares and 21,469,985 shares respectively deemed to be issued at no consideration if all outstanding options had been exercised.

## 9. Intangible assets/Fixed assets

	<b>Intangible assets</b> <i>HK\$'000</i>	<b>Fixed assets</b> <i>HK\$'000</i>
Net book value as at 1st January, 2002	–	65,414
Exchange adjustment	–	402
Additions	2,473	18,972
Depreciation charge ( <i>note 4</i> )	–	(4,502)
Disposals	–	(138)
Acquisition of subsidiaries ( <i>note 13</i> )	19,384	8,041
	<hr/>	<hr/>
Net book value as at 30th June, 2002	<b>21,857</b>	<b>88,189</b>

## 10. 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 30th June, 2002, the ageing analysis of the trade receivables is as follows:

	<b>30th June, 2002</b> <i>HK\$'000</i>	31st December, 2001 <i>HK\$'000</i>
Current	<b>456,455</b>	450,694
31-60 days	<b>281,555</b>	109,316
61-90 days	<b>158,283</b>	79,603
91-120 days	<b>11,612</b>	548
Over 120 days	<b>12,564</b>	18,731
Less: provision	<b>(7,317)</b>	(9,139)
	<hr/>	<hr/>
	<b>913,152</b>	<b>649,753</b>

## 11. Trade payables

At 30th June, 2002, the ageing analysis of the trade payables is as follows:

	<b>30th June, 2002</b> <i>HK\$'000</i>	31st December, 2001 <i>HK\$'000</i>
Current	<b>308,707</b>	250,981
31-60 days	<b>131,749</b>	82,375
61-90 days	<b>51,611</b>	47,545
91-120 days	<b>19,753</b>	7,377
Over 120 days	<b>3,691</b>	7,162
	<hr/>	<hr/>
	<b>515,511</b>	<b>395,440</b>

**12. Share capital**

	Number of shares of HK\$0.10 each	HK\$'000
<i>Authorised:</i>		
At 1st January, 2002 and 30th June, 2002	3,000,000,000	300,000
<i>Issued and fully paid:</i>		
At 1st January, 2002	1,750,000,000	175,000
Shares issued for acquisition of subsidiaries ( <i>note (i)</i> )	12,872,565	1,287
Issue of shares ( <i>note (iii)</i> )	182,824,000	18,283
At 30th June, 2002	1,945,696,565	194,570

*Notes:*

- (i) In June 2002, 12,872,565 shares of HK\$0.10 each were issued at a price of HK\$0.77 per share as part of the consideration for the acquisition of two subsidiaries, namely Chi Telecom Pty Ltd and Chi Tel Limited. The excess over the par value of the shares issued was credited to the share premium account. Details of the transaction are included in the Company's announcement dated 4th April, 2002.
- (ii) In June 2002, 182,824,000 shares of HK\$0.10 each were issued at a price of HK\$0.76 per share for cash consideration in accordance with a placing and subscription agreement dated 18th June, 2002. The excess over the par value of the shares issued was credited to the share premium account.

These newly issued shares rank *pari passu* with the existing shares.

**13. Acquisition**

In June 2002, the Group acquired 70% of the share capital of Chi Telecom Pty Ltd and Chi Tel Limited which are principally engaged in the provision of Voice-over-IP service. The consideration of approximately HK\$22,159,000 was settled partly in cash and partly by issue of new shares. The Group's share of the unaudited net assets of these companies as at 30th June, 2002 was approximately HK\$2,775,000. The resulting goodwill of approximately HK\$19,384,000 will be amortised on a straight-line basis over 5 years.

Net assets acquired:

	HK\$'000
Fixed assets	8,041
Other assets less liabilities	(4,077)
Minority interests	(1,189)
	2,775
Goodwill	19,384
Total purchase consideration	22,159

## INTERIM DIVIDEND

The Directors have declared an interim dividend of HK1 cent per share, or a total of HK\$19,456,966 for the six months ended 30th June, 2002. The dividend will be payable on 25th October, 2002 to members whose names are on the register of members of the Company on 4th October, 2002.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2nd October, 2002 to Friday, 4th October, 2002, both days inclusive, during which period no transfer of shares may be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration, not later than 4:00 p.m. on Monday, 30th September, 2002.

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the distribution of a wide variety of mobile phones and related accessories in the Asia Pacific region. For the six months ended 30th June, 2002, turnover was approximately HK\$2,977 million, representing a growth of 25% over the same period of 2001. Gross profit has increased 26% to approximately HK\$192 million. Profit attributable to shareholders has increased 39% to approximately HK\$92 million.

### **Placing of Existing Shares and Subscription of New Shares**

On 18th June, 2002, the Group entered into a placing and subscription agreement. A total of 182,824,000 shares at the price of HK\$0.76 per share were successfully placed to 127 placees. Total number of issued shares of the Group increased to 1,945,696,565. The net proceeds of approximately HK\$130 million from the issue of shares will be used by the Group for placing deposits to secure additional banking facilities, purchasing stocks to support the expanded operations, strengthening existing distribution channels and financing the Group's general working capital. The results of placing were very encouraging. It reflected investors' confidence in the Group. The management considered this a good opportunity to raise capital for the Group's further expansion. With the proceeds, we shall proactively develop existing and new Asia Pacific markets and acquire more new and upcoming premium brands and models of mobile phones. Our long-term strategy is to solidify the Group's leading position in the Asia Pacific region and to create the most fruitful return for our shareholders.





## Mobile Phone Distribution

### *Industry Leader*

During the period under review, the Group maintained its industry leadership position and has exceeded its first half-yearly sales target by selling 2.1 million units of mobile phones. At the same time, the Group added 6 brands and 18 models to its product portfolio. The Group secured distribution rights of 18 new models of Samsung, Motorola, Sony Ericsson, Sewon, Maxon, Kyocera, Panasonic, Sanyo, Digitec and Philips. As the largest regional mobile phone distributor in Asia Pacific, the Group carries 15 brands and over 70 mobile phone models.

Following the remarkable success of the launch of Sewon early this year, the Group acquired another Korean brand, namely Digitec. The first GSM model of this Korean brand, Digitec i-900 was launched in April and has been well received in the Asia Pacific region.

Besides GSM products, the Group has also started distributing Kyocera KZ-610 and Sanyo SCP-600 CDMA mobile phones in Mainland China. With our extensive product portfolio of GSM and CDMA mobile phones, the Group is currently enjoying a dual revenue source from both GSM and CDMA mobile phones.



*Distribution Rights for Various Models (as at 30th June, 2002)*

	Model	Hong Kong	Mainland China	Malaysia	The Philippines	India	Vietnam	Australia
Siemens	6686	✓	✓	✓				
	6688i		✓					
	S45/6618	✓		✓				
	SL45/ 6688	✓	✓	✓	✓			
	A36/ 1118	✓		✓	✓			
	3508/ C35i	✓		✓				✓
	M35i/ 3518i	✓	✓		✓			✓
	A40				✓			
	C45/2118	✓		✓	✓			
	C30			✓	✓			
ME45	✓			✓				
Samsung	SGH 2100			✓				
	SGH 2200			✓				
	SGH A100			✓	✓			
	SGH A110			✓				
	SGH A200			✓	✓			
	SGH A300			✓	✓			
	SGH A400			✓	✓			
	SGH M100			✓				
	SGH N100			✓	✓			
	SGH N200			✓				
	SGH N500			✓	✓			
SGH N620			✓	✓				
SGH R220			✓	✓				
SGH T100			✓	✓				
Motorola	V70			✓				
Sony Ericsson	J70			✓				
Alcatel	OT303			✓				
	OT311/ 501/ 701				✓		✓	
	OT310						✓	
	OT511		✓	✓	✓		✓	
Sewon	SG-1100	✓	✓		✓		✓	
	SG2000	✓			✓		✓	
	SG2200	✓	✓		✓		✓	
	SG-6680	✓	✓		✓		✓	
Maxon	SG-3680	✓	✓					
Kyocera	KZ-610		✓					
	TG200	✓	✓	✓				
Panasonic	GD35		✓					
	GD75		✓					
Sanyo	SCP-600		✓					
Digitec	i-900	✓	✓					
Sagem	MC912			✓				
	MC920			✓	✓			
	MC930			✓				
	MC3026				✓			
	MW930			✓				
	MW936			✓	✓			
	MW956			✓				
	MW959			✓				
MW3020/WA3050			✓					
Philips	898/ 939/ 9@9/			✓				
	FISIO 120				✓	✓		
	FISIO 620				✓	✓		
	FISIO 820				✓	✓		
	SAVVY C14DB					✓		
	Ozeo			✓				
XENIUM X-POCKET					✓			
969+				✓				
Sendo	S-200				✓			
	Z-100				✓			
Tresor	101B				✓			



*India*

First Mobile India Private Limited (“First Mobile India”) set up 3 local offices by the first half of 2002 in India. It has also started to establish extensive sales and distribution network in India.

During the period under review, First Mobile India acquired the distribution rights of 5 models and after-sales service agreement from one of the renowned brands, Philips. Recently, First Mobile India established a total of 3 local offices and 3 after-sales service centres in Mumbai, New Delhi and Chennai. On top of several new models of Philips, discussion is underway with other brands. We are confident that there will be more brands and models acquired in the second half of 2002.

In June 2002, the mobile penetration rate in India is 0.7%. Number of mobile subscribers increased by 28% in the first half of 2002, while the estimated number of new subscribers during the second half of 2002 is approximately 2.5 million. We believe that India possesses the largest growth potential after Mainland China. The Group will continue to actively work with the manufacturers in order to pave the way for the anticipated exponential growth in this country.

**Voice-over-IP (VoIP)**

In April 2002, the Group ventured into the booming and lucrative VoIP market in Australia and Hong Kong by entering into an agreement to acquire 70% interest in Chi Telecom Pty Ltd (“Chi Telecom”) and Chi Tel Limited at a consideration of AUD5,250,000 (equivalent to approximately HK\$22 million), of which AUD2,750,000 (equivalent to approximately HK\$12 million) will be settled by cash in five installments and the remaining AUD2,500,000 (equivalent to approximately HK\$10 million) was satisfied by the issuance and allotment of 12,872,565 new shares of the Company at an issue price of HK\$0.77 per share.

Chi Telecom is principally engaged in the provision of VoIP services in the form of distributing prepaid calling cards and wholesale of long-distance call traffic in Australia.

*Australia and New Zealand*

The traffic volume is approximately 10 million minutes per month in Australia, which is a very promising figure because of our stable quality with competitive pricing.

The Group set up an office in New Zealand in June/July 2002 and started to establish sales networks in Auckland, Hamilton, Wellington and Christchurch. We are confident to achieve a certain market share in this large potential market.



## *Japan*

Besides Australia and New Zealand, the Group also started exploring VoIP opportunities in Japan through its subsidiary, First Mobile Japan Co., Ltd. ("First Mobile Japan") in January 2002. First Mobile Japan has started an international calling service business from Japan to other countries under the brand of iITEL. This service targets mobile phone users and aims to provide high quality and cost effective long distance and international communication services to business travelers and short stay visitors. An operation test was started in second quarter 2002 and it is expected the service will be officially launched in third quarter.

### **Liquidity and Financial Resources**

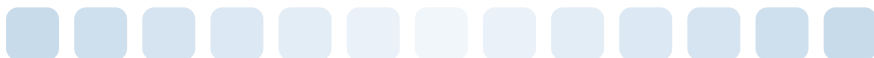
As at 30th June, 2002, cash and bank balances of the Group was approximately HK\$500 million (as at 31st December, 2001: HK\$397 million), of which approximately HK\$229 million (as at 31st December, 2001: HK\$212 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK\$442 million (as at 31st December, 2001: HK\$375 million), comprising long-term bank loans of approximately HK\$93 million (as at 31st December, 2001: HK\$94 million), obligations under hire purchase contracts of approximately HK\$4 million (as at 31st December, 2001: HK\$5 million), short-term bank loans and overdrafts of approximately HK\$345 million (as at 31st December, 2001: HK\$276 million).

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 30th June, 2002 was approximately HK\$12 million (as at 31st December, 2001: HK\$11 million). All properties of the Group are also pledged as security for the Group's banking facilities. As at 30th June, 2002, the carrying value of these pledged assets (excluding the pledged bank balances and the assets of the subsidiary mentioned above) was approximately HK\$49 million (as at 31st December, 2001: HK\$36 million).

The gearing ratio (total long-term liabilities/net assets) of the Group as at 30th June, 2002 was 13.5% (as at 31st December, 2001: 19.7%).

### **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. As at 30th June, 2002, the Group had approximately HK\$90 million (as at 31st December, 2001: HK\$118 million) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies. The Group does not engage in foreign currency speculative activities.



## Employees

As at 30th June, 2002, the Group had 431 employees (as at 31st December, 2001: 417). The total of employee remuneration, including that of the Directors, for six months ended 30th June, 2002 amounted to approximately HK\$37 million (2001: HK\$29 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".

## Acquisition of Subsidiaries

Details have been discussed in "Voice-over-IP (VoIP)" of this section.

## Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30th June, 2002.

## FUTURE PLANS AND PROSPECTS

### Mobile Phone Distribution

Our mission is to maintain our leadership in the distribution of up and coming brands as well as to continue its geographical expansions and enhance its market presence in the Asia Pacific region.

On top of several new Sewon and Maxon GSM mobile phones to be launched in coming months, the Group is under discussion with another Korean brand, which will be one of the popular brands in Asia.

To further strengthen the Group's product portfolio, the Group will continue to explore and acquire new brands that have high market potentials.

### Voice-over-IP (VoIP)

It is expected that there will be a substantial increase in the demand for long distance call services that offer the lowest cost and the highest quality. The Group, well-recognized for its impeccable services as well as in-depth knowledge of the market needs, is well-poised to capture a larger market share in the blossoming VoIP industry. As an effort to diversify the revenue source, the Group strives to explore the business opportunities of VoIP in other Asian countries, so as to bring the best return for shareholders.

We believe that in the long term, VoIP would be synergetic to our mobile phone distribution business and hence, establishing First Mobile as a truly full-fledged mobile phone distributor. The Group will continue to tap into the enormous potential of VoIP business in markets worldwide.



## 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, 2002 to 30th June, 2002.

	<b>Business Objectives</b>	<b>Actual Business Progress</b>
<b>Mobile phone distribution business</b>		
Business development	Target to achieve half-yearly mobile phone sales to approximately 2 million sets	Achieved corporate target, approximately 2.1 million units of mobile phones were sold in the first half of 2002
Establishment of new offices/centres	3 customer care centres	First Mobile India has established 3 local offices and 3 after-sales service centres in Mumbai, New Delhi and Chennai
Product range	Launch 3G mobile phones and various new models of mobile phones	Currently, the Group do not carry 3G mobile phones due to the delay of launching 3G mobile phones in the market. It is expected that 3G mobile phones will be launched by 2003. The Group has started distributing 18 GSM and CDMA new models from reputable brand names including Samsung, Motorola, Sony Ericsson, Sewon, Maxon, Kyocera, Panasonic, Sanyo, Digitec and Philips in the first half of 2002



**Business Objectives**

**Actual Business Progress**

Staff deployment

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 in the PRC. First Mobile India has established 3 after-sales service centres and employed over 10 staff in India

**e-pay Asia Limited**

*e-pay Terminals*

Business development

Extend cooperation with network operators in Singapore and the Philippines, for adopting e-pay Terminals as payment channels for their services

Due to the fact that one of the major operators is actively developing its e-distribution structure in the Philippines, the Group has to assess its impact on the business of e-pay Asia (Phils.), Inc.. In addition, the Group has to rework and reassess the business direction and strategy of the e-pay business in the Philippines and other locations. As a result, expansion of e-pay business in the Philippines and expansion of the business to other countries are put on hold pending results of re-assessment of business strategy. The re-assessment of e-pay business strategy is expected to be finalized in the third quarter 2002. Results on the re-assessment and the group's further action are expected to be released by end of the third quarter



**Business Objectives**

**Actual Business Progress**

	Explore and develop additional applications of e-pay Terminals	Same as above
	Explore business opportunities in Taiwan, Korea and Japan	Same as above
Total establishment	10,000 terminals	Same as above

**FirstNet.Com Limited**

*Virtual B2B2C network*

Business development	Assist website owners to set up 3 licensed sites in 3 major cities in the PRC	A more prudent approach has been taken due to the sluggish development in e-commerce. Recruitment has been put on hold. Unless the market conditions become favourable and business is considered viable again, the project will continue to be on hold as this would be in the best interests of the shareholders
	Expand B2B virtual dealers network in the Asia Pacific Region	Same as above
	Seek strategic alliances and merger and acquisition opportunities	Same as above
Contents/functions	Develop contents for WAP phones	Same as above





**Business Objectives**

**Actual Business Progress**

*CyberOutlets*

Business development

Further roll out CyberOutlets to cover a total of 10 key cities in Malaysia, the PRC, the Philippines and Hong Kong, and explore business opportunities in Singapore and Taiwan

A more prudent approach has been taken due to sluggish environment. Unless the market conditions become favourable and business is considered viable again, the project will continue to be on hold as this would be in the best interests of the shareholders

Total establishments

Approximately 1,000 CyberOutlets

Same as above

Contents/functions

Increase the range of information download and promotion services provided

Same as above

**First E Wap Limited**

*WAP solution services*

Business development

Seek strategic partnerships for development and application of 3G mobile Internet technology

Due to the delay of launching 3G services in the market, development of strategic partnerships has been put on hold. Unless the market conditions become favourable and business is considered viable again, the project will continue to be on hold as this would be in the best interests of the shareholders



	<b>Business Objectives</b>	<b>Actual Business Progress</b>
	Commence conversion of the Group's contents to meet 3G specifications	Same as above
Customer base	Broaden customer base for commercial organizations and youth	Same as above
Range of services/ products	Broaden the range of services and applications	Same as above



## USE OF NET PROCEEDS FROM THE PLACING

The Company's shares were listed on GEM of the Stock Exchange on 29th December, 2000 (the "Listing Date") by way of placing (the "Placing"). The net proceeds from the Placing after deducting related expenses was approximately HK\$89.8 million. During the period from the Listing Date to 30th June, 2002, the Group has applied the net proceeds as follows:

	<b>Amount intended to be used for the six months ended 30th June, 2002 as stated in the Prospectus</b> <i>HK\$'000</i>	<b>Cumulative amount to be used up to 30th June, 2002 as stated in the Prospectus</b> <i>HK\$'000</i>	<b>Actual amount used up to 30th June, 2002</b> <i>HK\$'000</i>
Marketing and promotional activities and development costs of expanding into new markets for the mobile phone distribution business	1,400	12,900	13,200
Strategic alliance programs with mobile phone retailers in the PRC ( <i>notes (i) and (v)</i> )	6,200	10,600	–
Expansion of the U.K. sourcing house into a localised sales office through establishing a telemarketing call centre ( <i>note (iii)</i> )	–	15,800	22,900
Rollout of e-pay Terminals in the PRC and Hong Kong ( <i>notes (iii) and (v)</i> )	–	21,100	18,900
Rollout of CyberOutlets in Malaysia, Hong Kong, the PRC and the Philippines ( <i>notes (iv) and (v)</i> )	2,000	6,000	–
	<u>2,000</u>	<u>6,000</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 has been 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.

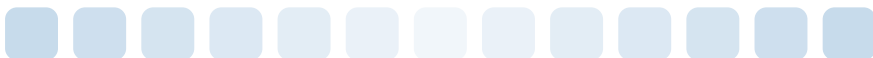
## SHARE OPTION SCHEMES

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

### (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 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 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 30th June, 2002, no options under this scheme had been granted.

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

The purpose of the Pre-Listing Share Option Plan is to recognise the contribution of certain Directors and employees to the growth of the Group and/or to the listing of the Shares on GEM of the Stock Exchange on 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 (where details are disclosed in the section of "Directors' and Chief Executive's Interests in Securities"), 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

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

Options to subscribe for 175,000 Shares in the Company lapsed during the six months ended 30th June, 2002 due to the resignation of an employee. As at 30th June, 2002, there are options remaining to subscribe for an aggregate of 170,493,750 Shares, representing 8.8% 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 4,243,750 Shares granted to 47 employees.

No options had been exercised or cancelled during the Periods.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June, 2002, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's Directors, chief executive or their associates were as follows:

### (a) Shares in the Company

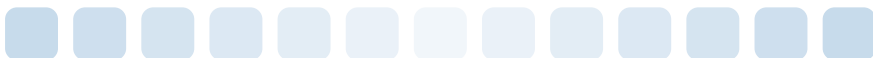
*(Shares of HK\$0.10 each)*

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

*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, as at 30th June, 2002, none of the Directors, chief executive or their associates had any interests in the share capital of the Company.



**(b) First Telecom International Limited***(Non-voting deferred shares of HK\$1.00 each)*

Name of Director	Number of shares		Total
	Personal interests	Family interests <i>(note)</i>	
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 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.

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

Name of Director	Number of underlying shares under the Pre-Listing Share Option Plan		Total
	Personal interests	Family interests <i>(note)</i>	
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 under the Pre-Listing Share Option Plan and are exercisable at HK\$0.82 per share. None of the above Pre-Listing share options have been exercised during the Periods.

Save as disclosed above, as at 30th June, 2002, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the Periods was the Company or its subsidiaries a party to any arrangement to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the

Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests of the Directors and chief executive as disclosed above, as at 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10 per cent or more of the issued share capital of the Company.

## COMPETING INTEREST

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

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

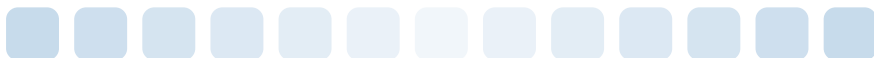
During the Periods, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## SPONSOR'S INTERESTS

The interests of Kingsway Capital Limited ("Kingsway") in the share capital of the Company as at 30th June, 2002 are summarised below:

	<b>As at 30th June, 2002</b>	
	<b>Number of Shares</b>	<b>Percentage of the issued share capital of the Company</b>
Kingsway	Nil	Nil
Kingsway's employees (excluding directors)	Nil	Nil
Kingsway's directors	9,033,500	0.4%
Kingsway's associates	110,191,250	5.7%
Total	<u>119,224,750</u>	<u>6.1%</u>

Save as disclosed herein, the joint sponsors of the Company (the "Joint Sponsors"), Kingsway and Asia Investment Capital Limited (formerly Asia Financial Capital Limited), their respective directors, employees and associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), as at 30th June, 2002, 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.

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.

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules during the Periods.

## AUDIT COMMITTEE

The Company established an audit committee on 15th December, 2000 with terms of reference in compliance with rules 5.23 to 5.25 of the GEM Listing Rules. As at 30th June, 2002, 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 Periods and up to the date of this report, three audit committee meetings were held for reviewing the Company's annual report, half-year report and quarterly report, and providing advices and recommendations to the board of Directors.

By order of the Board  
**Ng Kok Hong**  
*Executive Chairman*

Hong Kong, 13th August, 2002





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

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