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

FIRST MOBILE GROUP

MASTERING THE MOBILE ARENA

ANNUAL REPORT 2002 二零零二年年報

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記錄，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之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

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, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Abacus Share Registrars Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

MAJOR OPERATING COMPANIES

DISTRIBUTION RIGHTS FOR VARIOUS MODELS

(As at 31st December, 2002)

Samsung	SGH-A200, SGH-A300, SGH-A400, SGH-N500, SGH-N620, SGH-R220, SGH-T100, SGH-A800, SGH-A500, SGH-T200, SGH-T400, SGH-T500
Siemens	6686, 6688i, S45/ 6618, SL45/ 6688, A36/ 1118, 3508i/ C35i, M35i/ 3518i, A40, C45/ 2118, C30, ME45, 8008
LG	W3000, G5220, G7020, 6060
Sony Ericsson	J70
Sewon	SG-1100, SG 2000, SG 2200, SG-6680
Kyocera	KZ-610, KZ-820
Panasonic	GD35, GD75
Sanyo	SCP-600
Alcatel	OT303, OT311, OT501, OT701, OT302, OT310, OT511
Philips	FISIO 120, FISIO 620, FISIO 820, SAVVY C14DB, XENIUM X-POCKET, 969+
Sagem	MC920, MC3026, MW936
Maxon	SG-3680
Digitec	i-900
Daxian	510X
Telsda	SG 2288, SG 4500
Sendo	S-200, Z-100
Tresor	101B

MAJOR EVENTS IN 2002

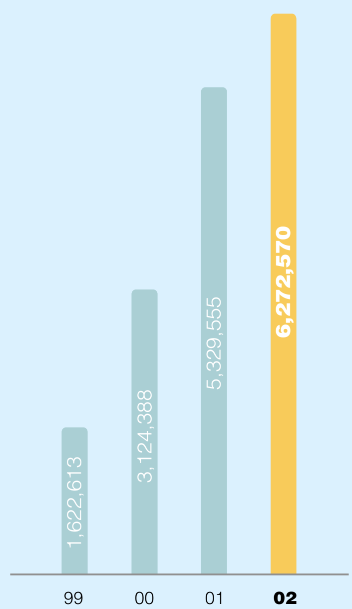
JANUARY	• Acquired distribution rights of 7 new models of mobile phones, namely Samsung SGH-T100, N500, Sewon SG-6680, SG-1100, Panasonic GD35, Sanyo SCP-600 and Kyocera KZ-610 • Successful launch of Sewon SG 2000 and SG 2200 • Started to market Code Division Multiple Access ("CDMA") phones in Mainland China and captured dual revenue from both Global System for Mobile Communications ("GSM") and CDMA markets
MARCH	• Started distribution of Sewon SG-6680 and SG-1100 and Maxon SG-3680 in Mainland China, Hong Kong, Macau, Malaysia and Vietnam
APRIL	• Acquired distribution right of a Korean brand, namely Digitec, in Hong Kong • Ventured into the Voice-over-IP ("VoIP") market by entering into an agreement to acquire Chi Telecom Pty Ltd ("Chi Telecom") and Chi Tel Limited
MAY	• First Mobile India Private Limited ("First Mobile India") acquired the distribution and after-sales service rights of 5 models from Philips • First Mobile India established a total of 3 local offices and 3 after-sales service centers in Mumbai, New Delhi and Chennai
JUNE	• Entered into a placing and subscription agreement and raised net proceeds of approximately HK$130 million. Total number of issued shares increased to 1,945,696,565
JULY	• Set up an office in New Zealand and started to establish sales networks in Auckland, Hamilton, Wellington and Christchurch for expanding VoIP business
SEPTEMBER	• First Mobile Japan Co., Ltd. ("First Mobile Japan") started a long distance call service business from Japan to other countries under the brand of iiTEL • Acquired distribution rights of full range of Samsung GSM mobile phones in the Philippines
OCTOBER	• Appointed as the sole distributor for LG GSM mobile phones in Hong Kong and Macau • Started to establish VoIP sales network in the United Kingdom ("the U.K.")
NOVEMBER	• Successful launch of LG W3000, G5220 and G7020 in Hong Kong and Macau
DECEMBER	• Successful launch of Samsung SGH-A800, A500, T200, T400 and T500 in Malaysia • Sold approximately 4.4 million units of mobile phones for the whole year

CHAIRMAN'S STATEMENT

"BY LEVERAGING ON OUR INCREASINGLY RICH PRODUCT PORTFOLIO, NOTABLE BRAND REPUTATION AND EXTENSIVE CUSTOMER BASE, WE RECORDED SATISFACTORY RESULT UNDER A VERY COMPETITIVE ENVIRONMENT"

2002 was another memorable year for First Mobile Group Holdings Limited ("First Mobile" or "the Group"). By leveraging on our increasingly rich product portfolio, notable brand reputation and extensive customer base, the Group recorded satisfactory result under a very competitive environment for the year ended 31st December, 2002.

For the years ended 31st December
Turnover (HK$'000)

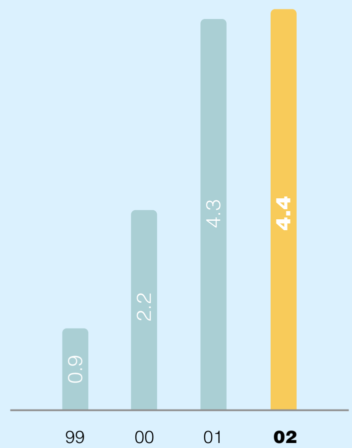


SATISFACTORY FINANCIAL FIGURES

2002 was a challenging year for the whole industry. A growing number of new manufacturers entered into the market during the year, especially in Mainland China. Foreign brands no longer have the same dominance that they used to enjoy and indeed, local brands have proved themselves to be a viable competitive force in this competitive landscape. Market share of local brands increased to 30% in 2002 from 2% in 1999 (source: DECH Consulting, March 2003). This dramatic market change is a breakthrough in Mainland China. Consumers are no longer loyal to foreign brands only. Instead, they are very receptive to new products which have good designs and innovative features. This trend benefits new and local brands to a great extent. At the same time, local brands are more willing to spend more on advertising and promotions to solidify their market presence. This also intensifies the competition and challenges in the market.

During the year under review, turnover amounted to approximately HK$6,273 million, representing an increase of 18% from the corresponding period in 2001. Sale of mobile phones reached a total of approximately 4.4 million units. However, average gross profit margin decreased from 7.5% in 2001 to 5.7% in 2002, as a result of a more competitive environment. The Group is pleased to announce that despite the challenging market environment, gross profit of approximately HK$357 million was recorded, thanks to the concerted efforts of all staff and the support from our manufacturers, business partners and customers.

Number of mobile phones sold (million)



Under the difficult environment, profit attributable to shareholders decreased from approximately HK$163 million in 2001 to approximately HK$108 million in 2002, and basic earnings per share decreased from approximately HK9.3 cents in 2001 to approximately HK5.9 cents in 2002. With an interim dividend of HK1 cent per share and a proposed final dividend of HK1 cent per share, the total dividend for year 2002 was HK2 cents per share.

MARKET OVERVIEW

Despite global worries over a worldwide slowdown on mobile subscribers growth, the number of subscribers reached 1.1 billion at the end of 2002 and is expected to increase to 1.5 billion in 2005 (source: Hong Kong Business, February 2003).

As at January, 2003, the number of subscribers in Asia Pacific had reached approximately 330 million, representing over 30% of the world's total number of mobile subscribers (source: Tele.com, February 2003). With the continuous launch of new and improved value-added services, coupled with the growing popularity and demand for color display phones, camera phones and convergent products, such as PDA phones, the market is expected to maintain its encouraging growth momentum and expand rapidly throughout Asia.

Against the backdrop of a growing number of subscribers and that demand for mobile phones is increasing in relative terms, these favorable conditions were offset by the influx of a large number of new manufacturers into the mobile phone market, that inevitably intensifies the competition in the market.

In addition, the market is no longer driven by brands anymore, with consumers demonstrating their growing acceptance for new manufacturers that offer products with attractive features and designs.

REVIEW OF BUSINESS OPERATIONS

During the year under review, the Group secured distribution rights of additional 8 brands and over 30 new models of mobile phones to its already extensive product portfolio. At present, the Group is distributing a total of 17 brands and 68 models, all of which are renowned brands and popular models from various manufacturers.

Customers are always our top priority. First Mobile is also committed to growing alongside with our manufacturers. The goal is not only to sell the products, but also to introduce quality products to customers and develop the manufacturers into esteemed and established brands.

During the year under review, the Group entered into an agreement to acquire Chi Telecom and Chi Tel Limited to complement its long term strategy of creating synergies between the VoIP and the mobile phone businesses. We have now established a widespread geographical coverage spanning across Hong Kong, Australia, New Zealand, the U.K. and Japan. Within a short period of time, the Group has already witnessed an encouraging performance and sold over 124 million minutes. We will continue to expand our distribution network and strengthen our channel management to further solidify our VoIP business, so as to increase our revenue.

With the successful placing of existing shares and the subscription of new shares in June 2002, First Mobile is committed to, and confident of, further strengthening our business and maintaining the leading position in the mobile communications industry in Asia Pacific region.

Needless to say, Rome was not built in one day. The success of First Mobile is attributable to our dedicated staff, experienced management and supportive manufacturers and customers throughout the years. On behalf of the Board of Directors, I would like to express my heartfelt appreciation to everyone who has contributed to the achievements of First Mobile, in the past, present and future.

Ng Kok Hong
Executive Chairman

Hong Kong, 20th March, 2003

1 Direction

FIRST MOBILE HAS PEDALED THROUGH A LONG WAY TO REACH THE ROAD OF SUCCESS, STARTING AS A SMALL COMPANY AND EVOLVING INTO A CORPORATION WITH OVER 400 STAFF WORLDWIDE, BECAUSE OF ITS FORWARD THINKING MANAGEMENT TEAM AND DEMAND FOR SELF IMPROVEMENT.

1. INDUSTRY OVERVIEW

Mobile Phone Distribution

Hong Kong

Hong Kong enjoys a high mobile phone penetration rate of 91% (source: OFTA, February 2003). Although the new subscribers market is saturated, the replacement market records stable performance. Hong Kong is still beset by the sluggish economy and the high unemployment rate. This means that consumers in general are getting more price-conscious on making their purchases. However, thanks to the booming tourism industry, sale of mobile phones derived from tourists recorded a substantial growth during the year under review. In the foreseeable future, there will be a high expectation, and wide market acceptance, for more new high-tech and value-added services, such as Multimedia Messaging Service ("MMS"), to bring the development of the Hong Kong mobile phone market to new heights.

Mainland China

At the end of the year under review, the total number of subscribers reached 207 million in Mainland China, representing an increase of 61 million subscribers, or 42%, as compared to 2001. At present, China is the largest mobile phone market in terms of number of subscribers, and it has enormous room for further growth, with a below average penetration rate of 16%. (source: Ministry of Information and Industry ("MII"), February 2003). At the end of the year under review, the penetration rate for major cities and regions, namely Beijing, Shanghai and Guangdong province, increased 15% from 2001 and totaled to 51% (source: GfK, February 2003). These cities and regions may have fewer new subscribers as compared to 3 or 4 years ago, but they are expected to generate an enormous demand for replacement mobile phones. In the coming future, rapid growth of new subscribers is also expected in second and third-tier cities and even in rural areas. It is forecasted that there will be a total of 258 million subscribers in Mainland China by end of 2003 (source: The Standard, February 2003).

There is a noticeable change in the mobile phone market, with local brands started gaining ground during the year under review – the market share of local brands increased to 30% in 2002 from 2% in 1999 (source: DECH Consulting, March 2003). In addition, it is also proved that amongst the top ten brands in December 2002, four of them are local brands. Given the fact that there are already over 40 brands and 500 models in the market, it is expected that high level of investment in advertising and promotion campaigns is required in order to achieve a substantial presence in this competitive market.

The CDMA market started to bloom in January 2002. China Unicom Limited ("China Unicom"), the exclusive CDMA operator in Mainland China, executed various promotions to boost its subscriber base in year 2002. The total number of CDMA subscribers recorded double-digit growth every month to reach an overwhelming 4.5 million (source: China Unicom, February 2003). For 2003, China Unicom targets to capture 20 million to 22 million new CDMA subscribers (source: Hong Kong Economic Journal, December 2002).

At present, Mainland China has captured approximately 19% of the estimated 1.1 billion subscribers in the world (source: The Standard, February 2003). With the gradual opening of the Mainland China economy to international markets, coupled with the continuous launch of new technologies, such as MMS, it is evident that the mobile phone market in Mainland China possesses enormous room for further growth and development.

India

This is a market that continues to draw more and more attention. Although penetration rate was only 1% as at December 2002, total number of subscribers increased by 91% to reach approximately 10.5 million within one year (source: COAI, February 2003). India's mobile phone industry is poised to witness a smooth and promising development path, as the Indian government acknowledges the importance and benefits of a world-class telecommunications infrastructure.

Well aware that information is the key to rapid economic and social development, and that it also has widespread ramifications on the country's overall economy, the Indian government is very supportive of the IT industry, especially since it is anticipated that a major part of the country's GDP will be contributed by this sector. At such, it has become a top priority for the country to implement a comprehensive and forward looking telecommunications policy when establishing an enabling framework for the development of the industry.

The number of mobile phone subscribers is expected to reach 120 million by 2008, surpassing the number of fixed line users. As evidenced by the market trend, it is anticipated that over a quarter of the subscribers will be from rural areas. This market will soon become an increasingly important segment of customers. Coupled with the overwhelming 80% decline in tariffs of GSM service since the launch in 1995 (source: COAI, August 2002), it will help stimulate mobile phone sales substantially to further benefit the performance of the Group.

Malaysia

The total number of subscribers increased by 15% and reached approximately 9 million as at December 2002. At present, the penetration rate is 37%, and it is forecasted that total number of subscribers will reach 10 million in 2003. Malaysia is a maturing market with a 13% subscriber growth rate expected over the next 3 years (source: The Star, March 2003).

Growing at a very impressive rate is the replacement market, so strong that it is foreseen to achieve remarkable growth rate of 45% (source: The Star, March 2003). With its pivotal role in Malaysia's mobile phone market, the replacement market is the major driver for the extensive mobile phone sales.

The Philippines

With only 1 million subscribers 5 years ago, the mobile phone market in the Philippines has taken off and recorded an overwhelming 12 million in the total number of subscribers as at December 2002 (source: Philippine Business, August 2002). Given that the existing penetration rate is only 15%, the market has further room for growth and development. If the market can sustain its robust growth momentum, its subscriber base is estimated to reach 20 million in six years (source: Philippine Business, August 2002).

VoIP Business

In April, 2002, First Mobile ventured into the booming VoIP market. During the year under review, the Group entered into an agreement to acquire Chi Telecom and Chi Tel Limited to complement its long term strategy of creating synergies between the VoIP and the mobile phone businesses. These companies are principally engaged in the provision of VoIP service in the form of distributing prepaid calling cards and wholesales of long distance call traffic.

Worldwide VoIP industry presents promising prospects. Revenue generated from VoIP service is expected to grow from US$1.8 billion in 2001 to US$15 billion in 2007 (source: IDC, January 2003). It is also anticipated that due to substantial increase in the demand for long distance call service, the global usage for VoIP service will boost up to 90 billion minutes in 2003.

Hong Kong

Traffic has reached approximately 3,970 million minutes in 2002, representing an increase of 9% as compared to 2001. Approximately 48% of the traffic goes to China, followed by about 10% to the Philippines.

Australia

Total traffic in Australia amounted to approximately 960 million minutes in 2002 for prepaid long distance calls. The satisfactory response was attributable to the large Chinese population of about 550,000 in Australia, including numerous overseas students from Mainland China. It is believed that the Chinese population will continue to increase in the coming years.

New Zealand

The estimated market size is approximately 300 to 400 million minutes per year, where key VoIP market leaders dominate approximately 50% of the market, and the remaining 50% is divided amongst other small VoIP players. Similar to Australia, New Zealand is another country with a large Asian population of about 300,000, and among which, 50% are Chinese.

The U.K.

Estimated total market revenue amounted to £600 million per year. VoIP currently accounts for 6% of total international telecommunications minutes. This implies there is a lot of room for growth.

Japan

Traffic volume in Japan is estimated at approximately 2 billion minutes in 2001. The number of users in Japan has increased accordingly, from 2 million in 2001, to 5 million in 2002 and is expected to achieve 10 million in 2003. Witnessing such steady year-on-year growth, it is confident that VoIP business will have a promising future.

2. BUSINESS STRENGTHS

Products

The mobile phone distribution business remained strong during the year under review. Units sold in 2002 were very close to the annual target. In 2002, the Group acquired additional 8 brands and more than 30 models to its already extensive product portfolio, including popular GSM and CDMA phones by Samsung, Siemens, LG, Sony Ericsson, Sewon, Kyocera, Panasonic, Sanyo, Alcatel, Philips, Sagem, Maxon, Digitec, Daxian, Telsda, Sendo and Tresor. At present, the Group has a portfolio of 17 brands and 68 models, with various high-tech characteristics and unique competitive strengths.

Geographical Coverage

Mobile Phone Distribution

Hong Kong

In Hong Kong, the Group has been appointed as the sole distributor of GSM mobile phones of LG brand, including LG W3000, G5220 and G7020. The Group officially launched these 3 models in Hong Kong in the fourth quarter of 2002. With the combination of effective distribution and marketing strategies, this new GSM mobile phone brand generated encouraging market response and achieved satisfactory results in both sales and brand recognition.

Mainland China

In Mainland China, the Group commenced the distribution of CDMA mobile phones in the first quarter of 2002. By working closely with China Unicom, the Group launched numerous joint promotions to promote CDMA phones throughout the year. Looking ahead, the Group will continue to embrace a smooth and upward climbing path and to witness magnificent success for its Mainland China business.

During the year under review, average gross profit margin decreased from approximately 3.5% in 2001 to approximately 1.7% in 2002 due to the noticeable change in the mobile phone market with more new and local brands and a more competitive environment.

At present, the Group distributes Siemens and Panasonic for its GSM mobile phone business and Kyocera and LG for its CDMA business. It has also acquired the distribution rights of renowned local brands, including Daxian, Telsda and Legend, to leverage on the trend that local brands have increased their market share to over 30% in China (source: DECH Consulting, March 2003). The Group will focus on the local brands in order to match with their growing ascendancy in the mobile phone market.

India

In addition to establishing 3 new local offices in Mumbai, New Delhi and Chennai, the Group also started to establish its extensive sales and distribution network in the first half of 2002 to complement its business development. In addition, the Group has successfully extended its presence in Bangalore, Hyderabad, Coimbatore, Pune, Ahmedabad, Panvel and Kolkata.

During the year under review, First Mobile India has acquired the distribution and after-sales service rights of 5 mobile phone models from Philips and strengthened its extensive product portfolio.

Malaysia

The Group represents full range of Samsung GSM mobile phones and successfully launched numerous models in Malaysia, such as SGH-T100, A800, A500, T200, T400, T500. Samsung has reached 21% of market share to become the second largest brand in Malaysia in 2002 (source: GfK, November 2002). It is expected that several Samsung models will be launched in the first quarter of 2003.

The Philippines

The Group had successfully acquired the distribution rights of the full range of Samsung GSM mobile phones in the second half of 2002. At the same time, it has also set up new after-sales service centers in the Philippines, 2 in Manila and 1 in Tarlac, Northern Luzon, as well as satellite offices in the Visayas and Mindanoa Islands, to better serve its customers. By implementing aggressive efforts to develop the Philippines business, the Group now possesses a vast sales network that serves over 1,000 dealers and retailers.

In the future, the Group will allocate more efforts to capture market share in these areas, with the assistance of the newly established after-sales service centers and satellite offices, to meet the expected increase in sales and services.

VoIP Business

The Group is committed to grow its VoIP business and capture larger market share through a combination of competitive pricing, superb service standards and creative marketing initiatives. Its aim is to build a reputation that is synonymous with reliability and professionalism on a global basis.

In view of the business potential in the VoIP industry, the Group will leverage on its in-depth knowledge of market needs and renowned quality services to explore the vast business opportunities of VoIP in other Asian countries, so as to capture a larger market share in the blossoming VoIP market to bring forth promising return for its shareholders.

Hong Kong

In Hong Kong, its VoIP business sold over 10 million minutes in 2002. At present, approximately 80% of the traffic is to China. It is anticipated that traffic will continue to be high between Hong Kong and China in the future, given the rising number of Mainland Chinese immigrants residing in Hong Kong. Capitalizing on such unlimited opportunities, the Group will focus on the Chinese and Philippine markets and strengthen its sales channels in retail chains and travel agents, so as to better serve customers as well as to maximize business potentials.

Australia

Australian VoIP business sold a total of 79 million minutes in the second half of 2002. Eyeing the room for further growth, the Group has expanded its Australia head office to a total of 19 staff as an effort to enhance its technical support, pre-sales and after-sales services to cater for the growing customer base.

New Zealand

New Zealand VoIP business commenced its VoIP operation in July 2002 and sold 28 million minutes in the second half of 2002. At present, the Group has established a sales network in Auckland, Hamilton, Wellington and Christchurch. As evidenced by the impressive performance of the VoIP business in New Zealand in 2002, the Group sees a very promising future in the New Zealand market, as the Chinese population continues to grow.

The U.K.

The VoIP business in the U.K. expanded to other strategic cities, including London, Manchester, Liverpool, Glasgow and Edinburgh, to cater for the high demand for long distance call service to Mainland China.

Japan

During the year under review, the Group commenced its VoIP business in September targeting the increasing demand of international long distance call service from Japan to China.

SUCH UNRELENTING EFFORTS TO EXCEL AND IMPROVE ENABLES **FIRST MOBILE** TO SUSTAIN ITS UNRIVALED LEADERSHIP, WHETHER IN PRODUCT DIVERSITY, QUALITY AND GEOGRAPHICAL COVERAGE.

Number 1

3. FINANCIAL REVIEW

Financial Review

Turnover for the year 2002 amounted to approximately HK$6,273 million, representing an increase of 18% from 2001. Sale of mobile phones reached a total of approximately 4.4 million units. The Group had also improved the average selling price of its mobile phones as compared to 2001. However, average gross profit margin dropped from 7.5% in 2001 to 5.7% in 2002 mainly due to the more competitive market environment in the second half of 2002.

Selling and distribution expenses increased by 36% to approximately HK$57 million as a result of intensive marketing and promotion activities for more sales pushes in the competitive environment during the year. General and administrative expenses increased moderately by approximately 13% from approximately HK$127 million in 2001 to approximately HK$143 million in 2002. The increase was attributed to the growth of the Group's new business establishments in India and Japan, the newly acquired subsidiaries as well as the business expansion into new countries such as New Zealand and the U.K..

During the year under review, finance costs increased sharply from approximately HK$16 million in 2001 to approximately HK$32 million in 2002. The increase was due to the growth in trade volume and the fact that full year effect of the interest payment for the HK$80 million transferable term loan was reflected in 2002 as the loan was drawndown in October 2001.

Under the difficult environment, profit attributable to shareholders decreased from approximately HK$163 million in 2001 to approximately HK$108 million in 2002, and basic earnings per share decreased from approximately HK9.3 cents in 2001 to approximately HK5.9 cents in 2002. With an interim dividend of HK1 cent per share and a proposed final dividend of HK1 cent per share, the total dividend for year 2002 was HK2 cents per share.

In view of the competitive and dynamic market environment of the mobile phone distribution business, management of the Group has been very cautious in monitoring the inventory level. Inventories as at 31st December, 2002 was approximately HK$239 million (2001: HK$212 million). Stock turnover days in 2002 was maintained at a healthy level of 16 days (2001: 16 days).

Trade receivables as at 31st December, 2002 amounted to approximately HK$881 million (2001: HK$650 million) and debtor turnover days slightly deteriorated from 45 days in 2001 to 52 days in 2002.

Liquidity and Financial Resources

As at 31st December, 2002, bank and cash balances of the Group were approximately HK$463 million (2001: HK$397 million), of which approximately HK$289 million (2001: HK$212 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK$657 million (2001: HK$375 million), comprising long-term bank loans of approximately HK$90 million (2001: HK$94 million), obligations under finance lease of approximately HK$3 million (2001: HK$5 million), and short-term bank loans and overdrafts of approximately HK$564 million (2001: HK$276 million).

The significant increase in the short-term bank loans and overdrafts was mainly due to the change of supplier mix as several new suppliers require settlement by documentary credits instead of on open account. The gearing ratio (total long-term liabilities/net assets) of the Group as at 31st December, 2002 was 13.0% (2001: 19.7%).

All current and future assets of a subsidiary of the Company are pledged as security for the subsidiary's general banking facilities. As at 31st December, 2002, the banking facility was undrawn (2001: approximately HK$2 million). The gross assets of the subsidiary as at 31st December, 2002 were approximately HK$9 million (2001: HK$11 million). All properties and a motor vehicle of the Group are also pledged as security for the Group's general banking facilities. As at 31st December, 2002, the carrying value of these pledged assets (excluding the pledged bank balances and the assets of the subsidiary mentioned above) was approximately HK$44 million (2001: HK$47 million including pledged inventories of approximately HK$10 million where related banking facilities expired in 2002).

Capital Structure

In early June 2002, the Company issued 12,872,565 shares of HK$0.10 each at a price of HK$0.77 per share as part of the consideration for the acquisition of two subsidiaries mentioned below.

In late June 2002, a placing and subscription agreement was entered into pursuant to which 182,824,000 shares of HK$0.10 each were issued at a price of HK$0.76 per share, representing a discount of approximately 13.64% to both the closing price of HK$0.88 per share quoted on the Exchange on 17th June, 2002 and the average closing price of approximately HK$0.88 per share as quoted on the Exchange for the last ten trading days up to and including 17th June, 2002. A total of approximately HK$130 million, net of expenses, was raised and has been fully utilised for placing bank deposits to secure additional banking facilities, purchase of stocks to support the expanded operations, strengthening existing distribution channels and financing the Group's general working capital.

Save as disclosed above, there was no change in the Company's share capital.

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. At 31st December, 2002, the Group had approximately HK$56 million (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.

Acquisition of Subsidiaries

In April 2002, the Group ventured into the booming VoIP market in Australia and Hong Kong by entering into an agreement to acquire 70% interest in 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.

These two companies are principally engaged in the provision of inter-city/international telecommunications services using VoIP technology in the form of sale of prepaid calling cards.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31st December, 2002 and 2001.

Employees

As at 31st December, 2002, the Group had 405 (2001: 417) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2002 amounted to approximately HK$78 million (2001: HK$83 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group 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.

4. e-pay BUSINESS

In 2000, the Group formed a joint venture with e-pay Limited, a U.K. company providing electronic solutions for the distribution of pre-pay mobile airtime, in order to explore business opportunities in the Philippines, Singapore, Hong Kong and Mainland China.

e-pay service was launched in the Philippines during the third quarter of 2001. A fixed line operator, two mobile operators and several internet service providers have adopted e-pay service as authorized payment channels for their pre-pay services. However, as a result of the change of a major operator's e-distribution strategy in the Philippines in the first half of 2002, the market potential of e-pay service in the Philippine market diminished substantially and the Group's target to make the e-pay Philippine operation breakeven in the year became unrealistic. After serious assessment of the market potential of e-pay service in the Philippines, the Group and its business partner e-pay Limited had decided to close down the e-pay service in the Philippines in the third quarter of the year.

In addition, due to the competitive market environment in Singapore and the unexpected delay in developing the Chinese software for the Hong Kong and Mainland China markets, the Group has reached an agreement with e-pay Limited in the third quarter of the year to terminate the plans to develop Singapore, Hong Kong, Mainland China and other locations covered in the joint venture agreement. The Directors consider that the decision is made in the best interests of the shareholders as a whole because the Group can better allocate its resources and management attention to fuel the growth of its core business.

5. STRATEGIES IN 2003

Maintain No.1 Market Position in Asia Pacific

The Group is pleased with its accomplishments under the highly competitive environment in 2002. It will continue to execute more effective strategies in an effort to increase its market coverage. At the same time, it will also continue to seek more distribution rights of up and coming mobile phone brands to its product portfolio.

In the coming future, the Group targets to acquire additional distribution rights of more GSM and CDMA mobile phones from various manufacturers. Likewise, the Group will also introduce other quality and trendy Korean brands, to leverage on the popularity of Korean fashion and trends in the Asia market.

India will continue to be one of the major focuses of the Group in 2003. For this potentially the second largest market in the region, the Group will work closely with network operators and launch tie-in programs and co-branding activities for various banks and corporate entities. Simultaneously, the Group will also extend its distribution channel to "B" and "C" class towns to maximize its presence and public awareness. At present, the Group is already in the midst of negotiating with various prominent manufacturers to acquire more distribution rights of mobile phones. It will also increase the number of service centers throughout India to better serve its customers.

VoIP Strategies and Geographical Expansion

VoIP business is moving towards greater importance by the day. It is a change that is widely accepted worldwide as it is very cost-effective and requires minimal infrastructure and equipment to set up. Therefore, the Group believes that this is a business that will prove to be very promising and highly profitable in the very near future.

In addition to strengthening its hold on its current business, the Group will utilize the VoIP business strategically to attract new customers and business. The Group aims to strengthen its VoIP business model by creating synergies with its existing mobile phone distribution business. The desired result is to maximize commercial opportunities and extend such business potentials into the market to the benefit of the Group.

Based on current development of the VoIP business, its goal is to further strengthen its business in the existing market, while expanding very rapidly to other high potential regions like North America, Europe and other parts of Asia.

The Group understands the value of this business and looks forward to the impressive development of this business model by venturing very aggressively to ride on the current trend of this shift in the telecommunications industry. In the very near future, the Group expects the VoIP business to flourish and become a very significant revenue contributor to the Group.

1 Target

DEDICATED TO ENHANCING SHAREHOLDERS' VALUE. **FIRST MOBILE** COMMITS TO SOLIDIFYING ITS AMICABLE RELATIONSHIPS WITH MOBILE PHONE MANUFACTURERS TO PROMOTE MORE UP AND COMING MOBILE PHONE BRANDS AND MODELS FOR ITS CUSTOMERS.

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 31st December, 2002.

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
Mobile phone distribution business		
Business development	1H	
	• 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
	2H	
	• Target to achieve half-yearly mobile phone sales to approximately 2.5 million sets	• Very close to the corporate target. Approximately 2.3 million units of mobile phones were sold in the second half of 2002
Establishment of new offices / centres	1H	
	• 3 customer care centres	• First Mobile India had established 3 local offices and 3 after-sales service centers in Mumbai, New Delhi and Chennai

COMPARISON OF BUSINESS OBJECTIVES
WITH ACTUAL BUSINESS PROGRESS

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
Product range	1H • Launch 3G mobile phones and various new models of mobile phones	• The Group did not carry 3G mobile phones due to the delay of launching 3G network 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, Sony Ericsson, Sewon, Maxon, Kyocera, Panasonic, Sanyo, Digitec and Philips in the first half of 2002
	2H • Launch various new models of mobile phones	• LG was added to the product portfolio. In the second half, 4 models, W3000, G5220, G7020 and 6060 were added. At the same time, Samsung SGH-A800, A500, T200, T400 and T500 were also added. The Group is now carrying 17 brands and 68 models
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 had established 3 centers and employed over 20 staff in the People's Republic of China (the "PRC"). First Mobile India had established 3 after-sales service centers and employed over 10 staff in India

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
e-pay Asia Limited (renamed as First Mobile Electronic Solutions Limited)		
e-pay Terminals		
Business development	1H • Extend cooperation with network operators in Singapore and the Philippines, for adopting e-pay Terminals as payment channels for their services • Explore and develop additional applications of e-pay Terminals • Explore business opportunities in Taiwan, Korea and Japan	• Due to the fact that one of the major operators actively developed its own e-distribution structure in the Philippines, the Group had to assess its impact on the business of e-pay Asia (Phils.), Inc. (renamed as First Mobile Electronic Solutions (Philippines), Inc.). In addition, the Group had to 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 were put on hold pending results of re-assessment of business strategy

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
	2H • Extend cooperation with network operators in Singapore and the Philippines, for adopting e-pay Terminals as payment channels for their services • Explore and develop additional applications of e-pay Terminals	• As a result of the change of a major operator's e-distribution strategy in the Philippines in the first half of 2002, the market potential of e-pay service in the Philippine market diminished substantially and our target to make the e-pay Philippine operation breakeven in the year became unrealistic. After serious assessment of the market potential of e-pay service in the Philippines, the Group and our business partner, e-pay Limited had decided to close down the e-pay service in the Philippines
	• Conclude cooperation programmes in Taiwan, Korea and Japan and commence implementation if business model considers viable locally	• Due to the competitive market environment in Singapore and the unexpected delay in developing the Chinese software for the Hong Kong and PRC markets, the Group had reached an agreement with e-pay Limited to terminate the plans to develop other Asian countries
Total establishments	1H • 10,000 terminals	• Same as above
	2H • More than 12,000 terminals	• Same as above

COMPARISON OF BUSINESS OBJECTIVES
WITH ACTUAL BUSINESS PROGRESS

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
FirstNet.Com Limited		
Virtual B2B2C network		
Business development	1H • Assist website owners to set up 3 licensed sites in 3 major cities in the PRC • Expand B2B virtual dealers network in the Asia Pacific Region • Seek strategic alliances and merger and acquisition opportunities	• A more prudent approach had been taken due to the sluggish development in e-commerce. Recruitment and the project had been put on hold as this would be in the best interests of the shareholders, unless the market conditions became favourable and business was considered viable again
	2H • Assist website owners to set up 2 licensed sites in 2 major cities in the PRC • Seek strategic alliances and merger and acquisition opportunities	• Since the market environment continues to be unfavourable, the Group has decided to terminate the project as it would be in the best interest of the Group and its shareholders as a whole
Contents / functions	1H • Develop contents for WAP phones	• Same as above
	2H • Develop contents for 3G mobile phones	• Same as above

COMPARISON OF BUSINESS OBJECTIVES
WITH ACTUAL BUSINESS PROGRESS

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
CyberOutlets		
Business development	1H	
	• 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 had been taken due to the sluggish environment. Unless the market conditions became favourable and business was considered viable again, the project would continue to be on hold as this would be in the best interests of the shareholders
	2H	
	• Further roll out CyberOutlets to cover a total of 15 key cities in Malaysia, the PRC, the Philippines and Hong Kong, and roll out outlets in Singapore and Taiwan if business model considered viable	• Since the market environment continues to be unfavourable, the Group has decided to terminate the project as it would be in the best interest of the Group and its shareholders as a whole
Total establishments	1H	
	• Approximately 1,000 CyberOutlets	• Same as above
	2H	
	• Approximately 1,500 CyberOutlets	• Same as above
Contents / functions	1H	
	• Increase the range of information download and promotion services provided	• Same as above

	BUSINESS OBJECTIVES	ACTUAL BUSINESS PROGRESS
First E Wap Limited		
WAP solution services		
Business development	1H • Seek strategic partnerships for development and application of 3G mobile Internet technology • Commence conversion of the Group's contents to meet 3G specifications	• Due to the delay of launching 3G services in the market, development of strategic partnerships had been put on hold. Unless the market conditions became favourable and business was considered viable again, the project would continue to be on hold as this would be in the best interests of the shareholders • Since the market environment continues to be unfavourable, the Group has decided to terminate the project in the second half of 2002 as it would be in the best interest of the Group and its shareholders as a whole
Customer base	1H • Broaden customer base for commercial organisations and youth	• Same as above
	2H • Further broaden customer base	• Same as above
Range of services / products	1H • Broaden the range of services and applications	• Same as above
	2H • Broaden the range of services and applications	• Same as above

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds, after deducting related expenses, raised from the new issue of shares by way of placing on 29th December, 2000 (the "Placing") was approximately HK$89.8 million. During the period from 29th December, 2000 (the date of listing of the Company's shares on GEM of the Exchange) to 31st December, 2002, the Group has applied the net proceeds as follows:

	Cumulative amount to be used up to 31st December, 2002 as stated in the Prospectus HK$'000	Actual amount used up to 31st December, 2002 HK$'000
Marketing and promotional activities for new markets	15,000	14,800
Strategic alliance programs in the PRC (note (i))	19,200	–
Expansion in the U.K. telemarketing call centre business (note (ii))	15,800	22,900
Rollout of e-pay Terminals (note (iii))	21,100	28,700
Rollout of CyberOutlets (note (iv))	8,000	–

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. The unused amount has been placed with licensed banks in Hong Kong for future use as identified by the Group's business plans.

(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) The Group decided to close down e-pay business in November 2002, details have been discussed in the section of "e-pay Asia Limited" in "Comparison of Business Objectives with Actual Business Progress".

(iv) Due to the continuous unfavourable market environment, the Directors considered that it is in the best interest of the Group and its shareholders as a whole to terminate the project. The unused amount has been placed with licensed banks in Hong Kong and will be used for general working capital in future.

FIRST MOBILE IS MORE THAN A BUSINESS CORPORATION. **FIRST MOBILE** IS A COMMITMENT, TO PROVIDE QUALITY MOBILE COMMUNICATION PRODUCTS, THAT IS FULFILLED BY A TEAM OF QUALIFIED AND PROFESSIONAL STAFF AND A TEAM OF EXPERIENCED AND VISIONARY MANAGEMENT.

1 Team

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. NG Kok Hong, aged 39, 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 successful grown the Group's business to cover Mainland China, Hong Kong, the Philippines, India, Japan, Australia, New Zealand and the U.K. since 1999. Mr. Ng has also contributed a lot to the strategic relationship between the Group and renowned manufacturers like Samsung, Siemens, LG, Sewon and Alcatel.

Mr. NG Kok Tai, aged 42, 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 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 Ms. Siew Ai Lian.

Mr. NG Kok Yang, aged 35, 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 five 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 62, has been an independent non-executive Director since September 2000. 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 53, has been an independent non-executive Director since August 2000. Mr. Wu is currently an executive Director of SW Kingsway Capital Holdings Limited. Mr. Wu is a member of the China Securities Regulatory Commission (CSRC) Listing Committee. He was the Deputy Chairman of the Shanghai Stock Exchange until July 2002. Prior to that, he was a full time Advisor to the CSRC. Until end of 1997, he was the Deputy Chairman and Chief Operating Officer of the Securities and Futures Commission of Hong Kong. Mr. Wu is also an independent non-executive Director of Interchina Holdings Company Limited.

Mr. WONG Tin Sang Patrick, aged 70, has been an independent non-executive Director since August 2001. Mr. Wong is a retired banker. Mr. Wong has over 40 years of experience in the banking industry and had held senior positions in 4 banking institutions. His last position was a business adviser in the corporate banking group at CITIC Ka Wah Bank Limited. Mr. Wong is also an independent non-executive Director of Wealthmark International (Holdings) Limited, a company listed on the Stock Exchange of Hong Kong Limited, since June 2002.

SENIOR MANAGEMENT

Mr. CHAN Kwok Keung, aged 39, 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 the 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 40, 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 18 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. DOWNIE David Malcolm, aged 45, 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 21 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 55, Group Treasurer. Mdm. Eng is also a Director/Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 30 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 57, Chief Executive Officer of First Mobile Japan Co., Ltd.. Mr. Honda has over 20 years of senior management experience in mobile phones, information equipment sales and manufacturing in Japan, Germany and the United States. Prior to joining the Group in July 2001, 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.

Ms. HONG Heng Mei, aged 35, Vice President (Human Resources) of the Group. Ms. Hong is an associate member of the Chartered Institute of Management Accountants, United Kingdom, a member of the Malaysian Institute of Accountants and a member of the Singapore Institute of Management. Ms. Hong has over 12 years of experience in finance and accounting as well as human resources management. Prior to joining the Group in October 2002, Ms. Hong worked for multinational corporations in Malaysia, Hong Kong and Singapore.

Mr. HUANG Frank C. D., aged 40, Chief Executive Officer of Chi Tel Group. Mr. Huang graduated from Civil Aviation University of China in the PRC and has accumulated over 10 years of experience in the civil aviation industry from working for China Southwest Airlines and China Air Express. He joined the Group in June 2002. Mr. Huang moved to the telecommunications business in the late 80's and started to distribute pagers and mobile phones in 1988 and 1992 respectively. In 1996, Mr. Huang ventured into the distribution of mobile phone SIM cards. He started the prepaid phone cards business by using the VoIP technology in 1999 and successfully expanded the Chi Tel Group to Australia, Hong Kong, New Zealand and the U.K..

Mr. KHOO Chan Leng, aged 31, Country Manager of First Asia Mobile, Inc. ("FAMI") in the Philippines. Mr. Khoo joined FAMI in September 2002, where he was relocated to Manila from Hong Kong. Prior to joining the Group, he was the Assistant Financial Controller of Philips Electronics Hong Kong Ltd.. He has been working in the business and finance fields for more than 8 years and is currently a member of the accountancy bodies in Australia, Malaysia and Hong Kong.

Mr. NG Kian Teck Simon, aged 44, Executive Vice President (Corporate Planning) 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 17 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 47, Chief Executive Officer of First Mobile India. 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 26 years' working experience of which 14 years in mobile phones and hi-tech equipment 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.

Mr. SHAM Kam Ying, aged 40, Chief Executive Officer of Shanghai Fast Telcon Equipment International Trading Co., Ltd.. Prior to joining the Group in October 2002, Mr. Sham has more than 10 years experience in the mobile phone industry where he previously worked as the Senior Vice President of Siemens Shanghai Mobile Communications Ltd., the Country Manager of Philips Consumer Communications and held a key management position in NEC China.

Ms. SIEW Ai Lian, aged 43, 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.

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, 2002.

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 30 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 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 42.

The Directors have declared an interim dividend of HK1 cent per share, totalling HK$19,457,000, which was paid on 25th October, 2002.

The Directors recommend the payment of a final dividend of HK1 cent per share, totalling HK$19,457,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$14,000.

INTANGIBLE ASSET AND FIXED ASSETS

Details of the movements in intangible asset and fixed assets are set out in notes 12 and 13 to the accounts respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22 to the accounts.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 96.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2002, 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. Sze Tsai To Robert
Mr. Wu Wai Chung Michael
Mr. Wong Tin Sang Patrick

In accordance with Article 116 of the Company's Articles of Association, Mr. Ng Kok Hong and Mr. Sze Tsai To Robert 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 30 to 32.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company under which they 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, 2002, the maximum amount of the discretionary bonus that the Directors would have been entitled to was approximately HK$10,847,000 (2001: HK$16,342,000). During the year ended 31st December, 2002, the executive Directors were entitled to a discretionary bonus of HK$1,900,000 (2001: HK$4,585,000).

The independent non-executive Directors of the Company, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick have been appointed for a fixed term and subject to retirement by rotation in accordance with the Company's Memorandum and Articles of Association in the forthcoming annual general meeting in 2003, 2004 and 2005 respectively.

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 "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.

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely pre-listing share option plan ("Pre-Listing Share Option Plan") and share option scheme ("Share Option Scheme"), were approved and adopted. The summary of the terms of the two share option schemes has been set out in Appendix V of the Company's prospectus in connection with placing of the Company's shares dated 20th December, 2000 (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 31st December, 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 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 (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 and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

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.

Options to subscribe for 2,065,000 Shares lapsed during the year ended 31st December, 2002 due to the resignation of employees. As at 31st December, 2002, there are options remaining to subscribe for an aggregate of 168,603,750 Shares, representing 8.7% 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 32,375,000 Shares granted to 8 senior management staff and options to subscribe for an aggregate of 4,103,750 Shares granted to 43 employees.

During the year ended 31st December, 2002 and up to the date of this report, no options had been exercised or cancelled.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31st December, 2002, the interests of the Directors, chief executive, 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 the GEM Listing Rules, to be notified to the Company and GEM of the Exchange were as follows:

(a) Shares in the Company

(Shares of HK$0.10 each)

	Number of shares			
Name of Director	**Personal interests**	**Family interests (note (i))**	**Corporate interests (note (ii))**	**Total**
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

DIRECTORS' INTERESTS IN EQUITY SECURITIES *(continued)*

(a) Shares in the Company *(continued)*

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 31st December, 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)

	Number of shares		
Name of Director	**Personal interests**	**Family interests (note)**	**Total**
Mr. Ng Kok Hong	1,239,326	18,878	1,258,204
Mr. Ng Kok Tai	1,239,326	–	1,239,326
Mr. Ng Kok Yang	305,160	–	305,160

Note: These shares are 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

	Number of underlying shares under the Pre-Listing Share Option Plan		
Name of Director	**Personal interests**	**Family interests (note)**	**Total**
Mr. Ng Kok Hong	47,250,000	–	47,250,000
Mr. Ng Kok Tai	42,000,000	875,000	42,875,000
Mr. Ng Kok Yang	42,875,000	–	42,875,000

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

DIRECTORS' INTERESTS IN EQUITY SECURITIES *(continued)*

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

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 had been exercised during the year.

Save as disclosed above, as at 31st December, 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 year was the Company or its subsidiaries a party to any arrangement to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of the Directors and chief executive as disclosed above, as at 31st December, 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.

SPONSOR'S INTERESTS

The interests of Kingsway Capital Limited ("Kingsway") in the share capital of the Company as at 31st December, 2002 are summarised below:

	As at 31st December, 2002	
	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	9,121,500	0.5%
Kingsway's associates	115,771,250	5.9%
Total	124,892,750	6.4%

SPONSOR'S INTERESTS *(continued)*

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 31st December, 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.

Mr. Wu Wai Chung Michael, an independent non-executive Director of the Company, is an executive director of SW Kingsway Capital Holdings Limited ("SW Kingsway Capital"), the holding company of Kingsway. Mr. Sze Tsai To Robert, an independent non-executive Director of the Company, is also an independent non-executive director of SW Kingsway Capital.

Pursuant to an agreement dated 3rd January, 2001 entered into between the Company and the Joint Sponsors, the Joint Sponsors received 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.

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	15.8%
– five largest customers combined	51.1%

Purchases

– the largest supplier	29.3%
– five largest suppliers combined	62.1%

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 the board practices and procedures as set out in rules 5.28 to 5.39 (where applicable) 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 to 5.25 of the GEM Listing Rules. As at 31st December, 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 and the Compliance Officer, 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 report, half-year report 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, 20th March, 2003

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 42 to 95 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, 2002 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, 20th March, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover	2	**6,272,570**	5,329,555
Cost of sales	3	**(5,915,233)**	(4,927,493)
Gross profit		**357,337**	402,062
Other revenues	2	**6,548**	5,518
Selling and distribution expenses		**(56,629)**	(41,603)
General and administrative expenses		**(142,750)**	(126,735)
Other operating income/(expenses), net		**12,403**	(13,719)
Operating profit	4	**176,909**	225,523
Finance costs	5	**(31,643)**	(15,823)
Share of profit of a jointly controlled entity		**190**	–
Profit before taxation		**145,456**	209,700
Taxation	6	**(36,832)**	(49,109)
Profit after taxation		**108,624**	160,591
Minority interests		**(155)**	2,825
Profit attributable to shareholders	7	**108,469**	163,416
Dividends	8	**(38,914)**	(35,000)
Basic earnings per share	9	**HK5.9 cents**	HK9.3 cents

CONSOLIDATED BALANCE SHEET

As at 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Intangible asset	12	**17,446**	–
Fixed assets	13	**79,009**	65,414
Investment in a jointly controlled entity	15	**941**	–
		97,396	65,414
Current assets			
Inventories	16	**239,357**	212,371
Other securities	17	**479**	43,148
Trade receivables	18	**880,632**	649,753
Other receivables and prepayments		**113,106**	54,876
Bank balances and cash	19		
– pledged		**288,850**	212,025
– not pledged		**174,105**	184,945
		1,696,529	1,357,118
Current liabilities			
Trade payables	20	**239,304**	395,440
Bills payable		**87,316**	47,422
Other payables and accrued charges	21	**88,211**	64,556
Current portion of long-term liabilities	24	**52,560**	4,731
Taxation payable		**3,754**	33,363
Bank loans and overdrafts			
– secured		**563,683**	276,456
– unsecured		**355**	–
		1,035,183	821,968
Net current assets		**661,346**	535,150
Total assets less current liabilities		**758,742**	600,564

	Note	2002 HK$'000	2001 HK$'000
Financed by:			
Share capital	22	**194,570**	175,000
Reserves	23	**499,624**	311,376
Proposed final dividend	23	**19,457**	17,500
Shareholders' funds		**713,651**	503,876
Minority interests		**4,685**	2,402
Non-current liabilities			
Long-term liabilities	24	**40,406**	94,286
		758,742	600,564

Ng Kok Hong
Director

Ng Kok Yang
Director

BALANCE SHEET

As at 31st December, 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Investments in subsidiaries	14	**476,692**	338,824
Current assets			
Other receivables		**28**	218
Bank balances and cash		**56,822**	50,576
		56,850	50,794
Current liabilities			
Other payables and accrued charges		**962**	1,026
Net current assets		**55,888**	49,768
Total assets less current liabilities		**532,580**	388,592
Financed by:			
Share capital	22	**194,570**	175,000
Reserves	23	**318,553**	196,092
Proposed final dividend	23	**19,457**	17,500
Shareholders' funds		**532,580**	388,592

Ng Kok Hong
Director

Ng Kok Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2002

	Note	**2002 HK$'000**	**2001 HK$'000**
Total equity at beginning of year		**503,876**	349,112
(Deficit)/surplus on revaluation of leasehold properties	23	**(1,425)**	3,527
Exchange differences arising on translation of the accounts of foreign subsidiaries and a jointly controlled entity	23	**(485)**	574
Net (losses)/gains not recognised in the consolidated profit and loss account		**(1,910)**	4,101
Profit for the year	23	**108,469**	163,416
Deficit on revaluation of non-trading securities realised upon disposal	23	**–**	4,747
Dividends	23	**(36,957)**	(17,500)
Issue of shares	22, 23	**148,859**	–
Share issue expenses	23	**(8,686)**	–
Total equity at end of year		**713,651**	503,876

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2002

	Note	2002 HK$'000	As restated 2001 HK$'000
Cash flows from operating activities			
Net cash used in operations	25(a)	**(238,789)**	(12,107)
Hong Kong profits tax paid		**(45,309)**	(24,403)
Overseas taxation paid		**(21,107)**	(21,129)
Overseas taxation refund		**–**	1,142
Interest received		**5,273**	5,187
Interest paid		**(20,384)**	(11,160)
Bank and other charges paid		**(10,096)**	(6,045)
Net cash used in operating activities		**(330,412)**	(68,515)
Cash flows from investing activities			
Purchase of fixed assets		**(27,931)**	(13,093)
Sale of fixed assets		**7,617**	3,075
Purchase of other securities		**(108)**	(44,908)
Sale of other securities		**47,087**	–
Sale of non-trading securities		**–**	2,040
Purchase of subsidiaries, net of cash acquired	25(d)	**(3,737)**	–
Establishment of a jointly controlled entity		**(780)**	–
Sale of a subsidiary, net of cash disposed of	25(e)	**(691)**	–
Increase in pledged bank deposits		**(76,825)**	(171,569)
Net cash used in investing activities		**(55,368)**	(224,455)

	Note	2002 HK$'000	As restated 2001 HK$'000
Net cash before financing activities		**(385,780)**	(292,970)
Cash flows from financing activities	25(b)		
Interest element on finance lease payments		**(387)**	(524)
Dividends paid		**(36,957)**	(17,500)
Proceeds from issue of shares		**138,947**	–
Share issue expenses		**(8,686)**	–
Capital element of finance lease payments		**(1,565)**	(3,292)
Capital contribution from a minority shareholder of a subsidiary		**1,248**	–
(Decrease)/increase in long-term bank loans		**(4,881)**	74,869
Increase in short-term bank loans		**289,163**	228,273
Net cash from financing activities		**376,882**	281,826
Decrease in cash and cash equivalents		**(8,898)**	(11,144)
Cash and cash equivalents at beginning of year		**183,009**	193,406
Effect of foreign exchange rate changes		**(361)**	747
Cash and cash equivalents at end of year	25(f)	**173,750**	183,009

1 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, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of these new or revised accounting standards did not have material effect on the accounts for the year ended 31st December, 2002 except for the reclassification of cash flows presented in the consolidated cash flow statement into operating, investing and financing activities and the presentation of consolidated statement of changes in equity. Certain comparatives of consolidated cash flow statement have been restated to conform with SSAP15 (revised) (note 29).

(b) Group accounting

(i) Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of Directors, or to cast majority of votes at the meetings of the board of Directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(i) Consolidation (continued)

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

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.

(ii) 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 the jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

(iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions 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 balance sheets 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 accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss accounts of foreign enterprises were translated at closing rate. This represents a change in accounting policy, however, the translation of the profit and loss accounts of the foreign enterprises in the prior year have not been restated as the effect of this change is not material to the accounts.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) 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.

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 of not more than 20 years. 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.

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.

(d) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor.

(e) 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.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) 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 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 value 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 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 the same asset, in which case it is treated as a decrease in the revaluation reserve.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) 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.

(f) Assets held under finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(g) 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 impairment are written back to the profit and loss account when the circumstances and events leading to the impairment cease to exist.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) 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.

(h) 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.

(i) 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.

(j) 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 held at call with banks and bank overdrafts.

(k) Advertising and promotion costs

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

(l) 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.

(m) 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.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made by the Group 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 leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia, the United Kingdom (the "U.K."), Mainland China, the Philippines, Australia, India, Japan 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 subsidiaries 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. Minimum contributions to this scheme are calculated on the basis of certain percentage of employees' relevant income or a fixed sum of HK$2,000 which is equally shared by employer and employees for each employee whichever is lower. Additional contributions to this scheme are at fixed sums payable monthly and agreed between the subsidiary and the relevant employees. 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.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Employee benefits *(continued)*

(iv) Equity compensation benefits

Share options are granted to Directors and employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(o) Borrowing costs

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

(p) Pre-operating costs

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

(q) 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.

Unallocated costs represent primarily corporate expenses and gain/loss on investment securities. 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 unallocated goodwill, 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 intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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. Sales between the geographical segments are eliminated.

(r) 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.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(s) Provisions

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.

(t) 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.

(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) *Revenue from the provision of inter-city/international telecommunication services using Voice-over-IP ("VoIP") technology*

Revenue from the provision of inter-city/international telecommunication services using VoIP technology in the form of sale of prepaid calling cards is recognised based on the usage of cardholders.

(iv) *Interest income*

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

(v) *Rental income*

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

(vi) *Repair service income*

Revenue for the provision of repair services for mobile phones is recognised when the services are rendered.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading and distribution of mobile phones and accessories, the sale of pre-pay airtime and the provision of inter-city/international telecommunication services using VoIP technology.

Turnover represents invoiced value of sale of mobile phones and accessories, pre-pay airtime using e-pay Terminals and airtime using VoIP technology to customers, net of returns, discounts allowed, value-added tax or sales tax where applicable. Revenues recognised during the year are as follows:

	2002 HK$'000	2001 HK$'000
Turnover		
Revenue from sale of mobile phones and accessories, net	**6,215,642**	5,327,419
Revenue from sale of pre-pay airtime using e-pay Terminals, net	**5,893**	2,136
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	**51,035**	–
	6,272,570	5,329,555
Other revenues		
Interest income	**5,140**	5,408
Gross rental income from investment properties	**472**	110
Other rental income	**708**	–
Repair service income, net	**228**	–
	6,548	5,518
Total revenues	**6,279,118**	5,335,073

2 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, provision of inter-city/international telecommunication services using VoIP technology, provision of repair services for mobile phones and holding of properties, neither of which are of a sufficient size to be reported separately.

The business of sale of pre-pay airtime using e-pay Terminals was closed down during the year (note 4).

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.
	–	provision of inter-city/international telecommunication services using VoIP technology.
Mainland China	–	trading and distribution of mobile phones and accessories.
Malaysia	–	trading and distribution of mobile phones and accessories.
The Philippines	–	trading and distribution of mobile phones and accessories.
	–	sale of pre-pay airtime using e-pay Terminals.
The U.K.	–	trading of mobile phones and accessories.
	–	provision of inter-city/international telecommunication services using VoIP technology.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments *(continued)*

	Turnover 2002 HK$'000	Segment results 2002 HK$'000	Total assets 2002 HK$'000	Capital expenditure 2002 HK$'000
Hong Kong	4,373,912	189,427	952,933	3,545
Mainland China	804,205	(7,184)	292,883	–
Malaysia	643,707	33,995	250,280	13,246
The U.K.	220,020	854	13,916	1,808
The Philippines	113,114	(18,685)	21,843	1,157
Other countries	117,612	(4,416)	69,293	16,831
	6,272,570	193,991	1,601,148	36,587
Unallocated costs		(22,222)		19,384
Interest income		5,140		
Operating profit		176,909		
Interest in a jointly controlled entity			941	
Unallocated assets			191,836	
Total assets/capital expenditure			1,793,925	55,971

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments *(continued)*

	Turnover 2001 HK$'000	Segment results 2001 HK$'000	Total assets 2001 HK$'000	Capital expenditure 2001 HK$'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
	5,329,555	245,059	1,307,976	16,982
Unallocated costs		(24,944)		
Interest income		5,408		
Operating profit		225,523		
Unallocated assets			114,556	
Total assets			1,422,532	

3 COST OF SALES

	2002 HK$'000	2001 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**5,825,660**	4,877,763
Other direct costs	**58,970**	39,275
Provision for inventory loss	**30,603**	10,455
	5,915,233	4,927,493

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2002 HK$'000	2001 HK$'000
Crediting		
Gain on disposal of a subsidiary#	**491**	–
Gain on disposal of an investment property#	**251**	–
Realised gain on disposal of other securities#	**4,291**	307
Unrealised gain on other securities#	**21**	2,788
Gain on deemed dilution of interest in a subsidiary#	**278**	–
Local government subsidy#	**2,150**	–
Charging		
Amortisation of intangible asset (note 12)	**1,938**	–
Auditors' remuneration	**1,621**	2,108
Deficit on revaluation of an investment property#	**100**	200
Deficit on revaluation of freehold and leasehold properties#	**1,188**	6,790
Depreciation		
– owned fixed assets	**9,507**	7,524
– leased fixed assets	**1,365**	612
Impairment loss of fixed assets other than properties#	**–**	462
Loss on disposal of fixed assets other than properties#	**1,214**	2,108
Loss on discontinuing operation *(note)*	**750**	–
Operating leases		
– land and buildings	**7,555**	3,863
– office equipment	**360**	2,678
Pre-operating costs	**55**	352
Provision for bad and doubtful debts	**17,128**	4,279
Realised loss on disposal of non-trading securities#	**–**	4,535
Staff costs (including Directors' remuneration and retirement benefit costs)	**78,346**	83,333

These are included in other operating income/(expenses), net.

4 OPERATING PROFIT *(continued)*

Note:

On 12th November, 2002, the Group announced its decision to close down the provision of e-pay services using e-pay Terminals in the Philippines. The subsidiaries comprising this segment are reported in the accounts as discontinuing operation. The sales, results and net liabilities of this segment were as follows:

	2002 HK$'000	**2001 HK$'000**
Turnover	**5,893**	2,136
Other revenue	**5**	7
Cost of sales	**(5,657)**	(2,072)
Operating costs	**(5,831)**	(7,703)
Loss on discontinuing operation	**(750)**	–
Loss for the year	**(6,340)**	(7,632)
Fixed assets	**–**	3,828
Current assets	**1,578**	2,153
Total assets	**1,578**	5,981
Total liabilities	**(6,223)**	(4,286)
Net (liabilities)/assets at 31st December	**(4,645)**	1,695

The loss on discontinuing operation represented termination payments and loss on disposal of fixed assets in relation to the close down of the business.

The cash flows of this segment is not presented as it is not material to the Group.

5 FINANCE COSTS

	2002 HK$'000	2001 HK$'000
Interest expenses on:		
– bank loans and overdrafts	**21,429**	9,254
– finance leases	**387**	524
Bank and other charges	**9,827**	6,045
	31,643	15,823

6 TAXATION

	2002 HK$'000	2001 HK$'000
Company and subsidiaries		
Hong Kong profits tax (note (i))	**25,668**	31,979
Overseas taxation (note (ii))	**11,341**	19,002
Overseas tax refund (note (iii))	**–**	(1,142)
Over-provision for taxation in prior years	**(206)**	(730)
	36,803	49,109
Share of taxation attributable to a jointly controlled entity		
Mainland China taxation	**29**	–
	36,832	49,109

Notes:

(i) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits 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.

6 TAXATION *(continued)*

Notes: *(continued)*

(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 operating 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.

(iv) Deferred tax (credit)/charge for the year has not been recognised in respect of the following:

	2002 HK$'000	2001 HK$'000
Accelerated depreciation allowances	**737**	71
Tax losses	**(1,682)**	(1,844)
Other timing differences	**(2,954)**	(292)
	(3,899)	(2,065)

The potential deferred tax assets/(liabilities) at 31st December not recognised in the accounts amount to:

	2002 HK$'000	2001 HK$'000
Accelerated depreciation allowances	**(1,496)**	(759)
Tax losses	**4,669**	2,987
Other timing differences	**3,262**	308
	6,435	2,536

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$40,772,000 (2001: HK$55,779,000).

8 DIVIDENDS

	2002 HK$'000	2001 HK$'000
Interim, paid, of HK1 cent (2001: HK1 cent) per share	**19,457**	17,500
Final, proposed, of HK1 cent (2001: HK1 cent) per share (note)	**19,457**	17,500
	38,914	35,000

Note: At a meeting of the board of Directors held on 20th March, 2003, the Directors declared a final dividend of HK1 cent per share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2003.

9 EARNINGS PER SHARE

Basic earnings per share for the year is calculated based on the profit attributable to shareholders of HK$108,469,000 (2001: HK$163,416,000) and on the weighted average number of 1,850,895,791 (2001: 1,750,000,000) 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, 2002 (2001: Not applicable).

10 RETIREMENT BENEFIT COSTS

	2002 HK$'000	2001 HK$'000
Retirement benefit costs	**3,277**	2,714

The retirement benefit 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$384,000 (2001: HK$679,000) payable to the Retirement Schemes at the year end are included in other payables and accrued charges.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2002 HK$'000	2001 HK$'000
Fees	**900**	832
Salaries, allowances and benefits in kind	**10,420**	10,249
Bonuses	**1,900**	4,585
Retirement benefit costs	**142**	163
	13,362	15,829

The three independent non-executive Directors as at 31st December, 2002 received only Director's fees for the year ended 31st December, 2002 of approximately HK$300,000 (2001: HK$300,000), HK$300,000 (2001: HK$300,000) and HK$300,000 (2001: HK$125,000) respectively. In the prior year, one independent non-executive Director resigned who did not receive emoluments and waived fees of HK$29,000.

The three executive Directors received emoluments for the year ended 31st December, 2002 of approximately HK$5,978,000 (2001: HK$7,008,000), HK$3,849,000 (2001: HK$4,573,000) and HK$2,635,000 (2001: HK$3,523,000) respectively.

The quarters provided to two executive Directors are included as part of their emoluments.

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 29th December, 2000 (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.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

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

	2002 HK$'000	2001 HK$'000
Directors	**12,462**	15,104
Employees	**4,032**	4,967
	16,494	20,071

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

	2002 HK$'000	2001 HK$'000
Salaries, allowances and benefits in kind	**2,738**	3,028
Bonuses	**1,150**	1,919
Retirement benefit costs	**144**	20
	4,032	4,967

The emoluments of employees fell within the following bands:

	Number of individuals	
Emolument bands	**2002**	**2001**
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**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.

12 INTANGIBLE ASSET

	HK$'000
Acquisition of subsidiaries during the year	19,384
Amortisation charge for the year (note 4)	(1,938)
Net book amount as at 31st December, 2002	17,446
At 31st December, 2002	
Cost	19,384
Accumulated amortisation	(1,938)
Net book amount	17,446

Intangible asset, representing goodwill arising from acquisition of Chi Telecom Pty Ltd and Chi Tel Limited (note 14(ii)), is amortised over 5 years on a straight-line basis.

13 FIXED ASSETS

Group

	Investment properties HK$'000	Freehold property HK$'000	Leasehold properties HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost or valuation							
At 1st January, 2002	5,801	–	34,800	4,741	10,774	21,182	77,298
Exchange adjustment	470	–	–	(36)	(17)	77	494
Additions	–	11,224	–	862	1,586	14,874	28,546
Acquisition of subsidiaries (note 25(d))	–	–	–	–	–	9,297	9,297
Disposal of a subsidiary (note 25(e))	–	–	–	(84)	(1,174)	(817)	(2,075)
Disposals	(4,771)	–	–	(1,317)	(406)	(4,485)	(10,979)
Revaluation	(100)	(359)	(3,450)	–	–	–	(3,909)
Transfers	(1,400)	–	1,400	–	–	–	–
At 31st December, 2002	**–**	**10,865**	**32,750**	**4,166**	**10,763**	**40,128**	**98,672**
Accumulated depreciation and impairment losses							
At 1st January, 2002	–	–	–	2,295	3,070	6,519	11,884
Exchange adjustment	–	–	–	(10)	–	165	155
Charge for the year	–	57	1,139	1,002	2,116	6,558	10,872
Acquisition of subsidiaries (note 25(d))	–	–	–	–	–	1,256	1,256
Disposal of a subsidiary (note 25(e))	–	–	–	(35)	(430)	(444)	(909)
Disposals	–	–	–	(405)	(95)	(1,899)	(2,399)
Revaluation	–	(57)	(1,139)	–	–	–	(1,196)
At 31st December, 2002	**–**	**–**	**–**	**2,847**	**4,661**	**12,155**	**19,663**
Net book value							
At 31st December, 2002	**–**	**10,865**	**32,750**	**1,319**	**6,102**	**27,973**	**79,009**
At 31st December, 2001	5,801	–	34,800	2,446	7,704	14,663	65,414

13 FIXED ASSETS *(continued)*

Group

	Investment properties HK$'000	Freehold property HK$'000	Leasehold properties HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
The analysis of the cost or valuation at 31st December, 2002 and 2001 of the above assets is as follows:							
At cost	**–**	**–**	**–**	**4,166**	**10,763**	**40,128**	**55,057**
At 2002 professional valuation	**–**	**10,865**	**32,750**	**–**	**–**	**–**	**43,615**
At 31st December, 2002	**–**	**10,865**	**32,750**	**4,166**	**10,763**	**40,128**	**98,672**
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
Net book value of assets under finance leases:							
At 31st December, 2002	**–**	**–**	**–**	**–**	**3,938**	**–**	**3,938**
At 31st December, 2001	–	–	–	–	5,944	–	5,944

13 FIXED ASSETS *(continued)*

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	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
In Hong Kong						
Leases between 10 to 50 years	**–**	1,500	**–**	–	**32,750**	34,800
Outside Hong Kong						
Freehold	**–**	4,301	**10,865**	–	**–**	–
At 31st December	**–**	5,801	**10,865**	–	**32,750**	34,800

The Group's leasehold properties and freehold property were revalued by Sallmanns (Far East) Limited for the leasehold properties located in Hong Kong and Khong & Jaafar Sdn. Bhd. for the freehold property located outside Hong Kong, both of them are independent professional valuers, on the basis of their open market values as at 31st December, 2002.

The carrying value of leasehold properties and freehold property as at 31st December, 2002 would have been approximately HK$37,046,000 (2001: HK$37,014,000) and HK$11,167,000 (2001: Nil) respectively had these properties been stated at cost less accumulated depreciation.

At 31st December, 2002, all properties and a motor vehicle with aggregate net book value of approximately HK$43,797,000 (2001: HK$40,601,000) have been pledged to banks to secure the Group's banking facilities.

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002 **HK$'000**	**2001** **HK$'000**
Unlisted shares, at cost	**159,822**	159,822
Amounts due from subsidiaries (note (i))	**316,870**	179,002
	476,692	338,824

Notes:

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

(ii) In June 2002, the Group acquired 70% equity interest in Chi Telecom Pty Ltd and Chi Tel Limited from China Huge International Limited (the "Seller") pursuant to a shares sale agreement dated 4th April, 2002 (the "Agreement") at total considerations of HK$22,159,000, comprising consideration shares of HK$9,912,000 (note 22(a)) and cash consideration of HK$12,247,000 which will be settled by 5 instalments up to June 2003. As at 31st December, 2002, total cash consideration of HK$7,858,000 was paid.

Pursuant to the Agreement, the Seller and one of its directors have provided profit guarantees to the Group for the two years ending 31st December, 2003 (the "Profit Guarantee"). Any shortfall to or excess over the amounts of the Profit Guarantee will be an adjustment to the goodwill, which is calculated based on terms of the Agreement.

The acquired subsidiaries contributed combined profit after tax of approximately HK$2,506,000 to the Group for the period since acquisition. The net asset value of the acquired subsidiaries as at 31st December, 2002 was approximately HK$12,811,000.

These subsidiaries are principally engaged in the provision of inter-city/international telecommunication services using VoIP technology.

(iii) During the year, the Group disposed of its entire interests in Viscocom Sdn. Bhd. to the minority shareholder of the subsidiary for a consideration of HK$2, resulting in a gain of HK$491,000.

(iv) Particulars of principal subsidiaries are set out in note 30 to the accounts.

15 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	**941**	–
Unlisted shares, at cost	**780**	–

The following is the details of the jointly controlled entity indirectly held by the Company at 31st December, 2002:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/profit sharing
廣州保税區菲斯特訊通設備有限公司	The People's Republic of China	Trading of mobile phones	50%

16 INVENTORIES

	Group 2002 HK$'000	Group 2001 HK$'000
Merchandises, at cost	**257,549**	219,067
Provision	**(18,192)**	(6,696)
	239,357	212,371

At 31st December, 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK$116,377,000 (2001: HK$42,284,000).

At 31st December, 2001, the carrying amount of inventories that were pledged as security for short-term banking facilities amounted to HK$10,363,000.

17 OTHER SECURITIES

	Group	
	2002 **HK$'000**	**2001** **HK$'000**
Equity securities, at fair value		
– listed outside Hong Kong	**55**	42,804
Money market fund, at fair value		
– unlisted	**424**	344
	479	43,148
Market value of listed securities	**55**	42,804

18 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, 2002, the ageing analysis of the trade receivables was as follows:

	Group	
	2002 **HK$'000**	**2001** **HK$'000**
Current	**431,680**	450,694
31-60 days	**270,103**	109,316
61-90 days	**72,931**	79,603
91-120 days	**98,739**	548
Over 120 days	**27,060**	18,731
Less: provision	**(19,881)**	(9,139)
	880,632	649,753

19 BANK BALANCES AND CASH

(i) Bank balances and cash as at 31st December, 2002 of approximately HK$30,018,000 (2001: HK$45,336,000), HK$77,530,000 (2001: HK$65,446,000) and HK$1,468,000 (2001: Nil) were denominated in Renminbi, Malaysia Ringgits and Indian Rupees respectively. These amounts are not freely convertible to other currencies except for settlement of purchase of goods and other provisions as stipulated in the exchange control policies of respective countries.

(ii) Bank balances and cash as at 31st December, 2002 of approximately HK$288,850,000 (2001: HK$212,025,000) were fixed deposits pledged as collateral for the Group's short-term banking facilities.

20 TRADE PAYABLES

At 31st December, 2002, the ageing analysis of the trade payables was as follows:

	Group	
	2002 HK$'000	**2001 HK$'000**
Current	**187,254**	250,981
31-60 days	**18,660**	82,375
61-90 days	**19,601**	47,545
91-120 days	**2,965**	7,377
Over 120 days	**10,824**	7,162
	239,304	395,440

21 OTHER PAYABLES AND ACCRUED CHARGES

Other payables and accrued charges as at 31st December, 2002 included amounts of approximately HK$5,045,000 (2001: Nil) due to a minority shareholder of a subsidiary, which is unsecured and interest-free. Except for an amount of HK$4,389,000 which is payable by 2 instalments up to June 2003 (note 14(ii)), the remaining balance has no fixed terms of repayment.

22 SHARE CAPITAL

	Number of shares of HK$0.10 each	HK$'000
Authorised:		
At 31st December, 2002 and 2001	3,000,000,000	300,000
Issued and fully paid:		
At 1st January, 2001 and 2002	1,750,000,000	175,000
Shares issued for acquisition of subsidiaries (note (a))	12,872,565	1,287
Issue of shares by placing (note (b))	182,824,000	18,283
At 31st December, 2002	1,945,696,565	194,570

Notes:

(a) In June 2002, 12,872,565 shares of HK$0.10 each were issued at HK$0.77 per share as part of the consideration for 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.

(b) 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 pursuant to 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.

(c) 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.

(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 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.

22 SHARE CAPITAL *(continued)*

Notes: *(continued)*

(c) Share option schemes *(continued)*

(i) Share Option Scheme *(continued)*

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, 2002, no options (2001: 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 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 were granted options to subscribe for an aggregate of 132,125,000 shares in the Company and 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 shares in the Company and 56 employees were granted options to subscribe for an aggregate of 5,337,500 shares in the Company.

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

During the year, options to subscribe for 2,065,000 shares (2001: 4,296,250 shares) in the Company lapsed due to the resignation of employees. As at 31st December, 2002, there are options remaining to subscribe for an aggregate of 168,603,750 shares (2001: 170,668,750 shares). This comprised options to subscribe for an aggregate of 132,125,000 shares (2001: 132,125,000 shares) granted to the 3 executive Directors options to subscribe for an aggregate of 32,375,000 shares (2001: 34,125,000 shares) granted to 8 senior management staff and options to subscribe for an aggregate of 4,103,750 shares (2001: 4,418,750 shares) granted to 43 employees.

No options (2001: Nil) had been exercised or cancelled during the year ended 31st December, 2002.

22 SHARE CAPITAL *(continued)*

Notes: *(continued)*

(c) Share option schemes *(continued)*

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

Share options outstanding at the end of the year have the following terms:

Final expiry date	Exercise price	Number of options 2002	Number of options 2001	Vested percentages 2002	Vested percentages 2001
Directors					
30th June, 2006	HK$0.82	**132,125,000**	132,125,000	**80%**	30%
Senior management staff					
30th June, 2006	HK$0.82	**32,375,000**	34,125,000	**80%**	30%
Other employees					
30th June, 2006	HK$0.82	**4,103,750**	4,418,750	**80%**	30%
		168,603,750	170,668,750		

23 RESERVES

Group

	Share premium HK$'000	Other properties revaluation reserve HK$'000	Investments revaluation reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Reserve fund (note (i)) HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January, 2002	**6,655**	**4,638**	**–**	**3,994**	**162**	**1,950**	**548**	**310,929**	**328,876**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**(485)**	**–**	**(485)**
Deficit on revaluation of properties	**–**	**(1,425)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,425)**
Profit attributable to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**108,469**	**108,469**
Release of reserve upon disposal of a property (note (ii))	**–**	**(146)**	**–**	**–**	**–**	**–**	**–**	**146**	**–**
Issue of shares	**129,289**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**129,289**
Share issue expenses	**(8,686)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,686)**
Transfer between reserves	**–**	**–**	**–**	**–**	**–**	**2,922**	**–**	**(2,922)**	**–**
2001 final dividend (note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,500)**	**(17,500)**
2002 interim dividend (note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,457)**	**(19,457)**
Balance at 31st December, 2002	**127,258**	**3,067**	**–**	**3,994**	**162**	**4,872**	**63**	**379,665**	**519,081**
Representing:									
Reserves	**127,258**	**3,067**	**–**	**3,994**	**162**	**4,872**	**63**	**360,208**	**499,624**
Proposed final dividend (note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,457**	**19,457**
	127,258	**3,067**	**–**	**3,994**	**162**	**4,872**	**63**	**379,665**	**519,081**
Retained by:									
Company and subsidiaries	**127,258**	**3,067**	**–**	**3,994**	**162**	**4,872**	**63**	**379,504**	**518,920**
Jointly controlled entity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**161**	**161**
	127,258	**3,067**	**–**	**3,994**	**162**	**4,872**	**63**	**379,665**	**519,081**
Balance at 1st January, 2001	6,655	1,111	(4,747)	3,994	162	1,868	(26)	165,095	174,112
Exchange differences	–	–	–	–	–	–	574	–	574
Surplus on revaluation of properties	–	3,527	–	–	–	–	–	–	3,527
Profit attributable to shareholders	–	–	–	–	–	–	–	163,416	163,416
Deficit on revaluation of non-trading securities realised upon disposal	–	–	4,747	–	–	–	–	–	4,747
Transfer between reserves	–	–	–	–	–	82	–	(82)	–
2001 interim dividend (note 8)	–	–	–	–	–	–	–	(17,500)	(17,500)
Balance 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 8)	–	–	–	–	–	–	–	17,500	17,500
	6,655	4,638	–	3,994	162	1,950	548	310,929	328,876
Retained by:									
Company and subsidiaries	6,655	4,638	–	3,994	162	1,950	548	310,929	328,876

23 RESERVES *(continued)*

Company

	Share premium (note (iii)) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January, 2002	**166,397**	**47,195**	**213,592**
Profit for the year	**–**	**40,772**	**40,772**
2001 final dividend (note 8)	**–**	**(17,500)**	**(17,500)**
2002 interim dividend (note 8)	**–**	**(19,457)**	**(19,457)**
Issue of shares	**129,289**	**–**	**129,289**
Share issue expenses	**(8,686)**	**–**	**(8,686)**
At 31st December, 2002	**287,000**	**51,010**	**338,010**
Representing:			
Reserves	**287,000**	**31,553**	**318,553**
Proposed final dividend (note 8)	**–**	**19,457**	**19,457**
	287,000	**51,010**	**338,010**
At 1st January, 2001	166,397	8,916	175,313
Profit for the year	–	55,779	55,779
2001 interim dividend (note 8)	–	(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 8)	–	17,500	17,500
	166,397	47,195	213,592

23 RESERVES *(continued)*

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 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.

(ii) 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 2001. The property was disposed of during the year and the revaluation surplus was transferred to retained earnings as a movement in reserves.

(iii) 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, 2002, 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$338,010,000 (2001: HK$213,592,000).

24 LONG-TERM LIABILITIES

	Group	
	2002 **HK$'000**	**2001** **HK$'000**
Bank loans		
– secured (notes (d) and (e))	**9,744**	14,420
– unsecured	**80,000**	80,000
	89,744	94,420
Obligations under finance leases (note (c))	**3,222**	4,597
	92,966	99,017
Current portion of long-term liabilities	**(52,560)**	(4,731)
	40,406	94,286

24 LONG-TERM LIABILITIES *(continued)*

Notes:

(a) The analysis of the above is as follows:

	2002 HK$'000	2001 HK$'000
Bank loans		
Wholly repayable within five years	**89,744**	92,547
Not wholly repayable within five years	**–**	1,873
	89,744	94,420
Obligations under finance leases		
Wholly repayable within five years	**3,222**	3,611
Not wholly repayable within five years	**–**	986
	92,966	99,017
Current portion of long-term liabilities	**(52,560)**	(4,731)
	40,406	94,286

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

At 31st December, 2002, the Group's bank loans were repayable as follows:

	2002 HK$'000	2001 HK$'000
Within one year	**51,064**	3,185
In the second year	**35,168**	51,311
In the third to fifth year	**3,512**	39,681
After the fifth year	**–**	243
	89,744	94,420

24 LONG-TERM LIABILITIES *(continued)*

Notes: *(continued)*

At 31st December, 2002, the Group's outstanding obligations under finance leases were repayable as follows:

	Group	
	2002 HK$'000	**2001 HK$'000**
Within one year	**1,783**	1,949
In the second year	**980**	1,745
In the third to fifth year	**1,129**	1,912
After the fifth year	**–**	60
	3,892	5,666
Future finance charges on finance leases	**(670)**	(1,069)
Present value of finance lease liabilities	**3,222**	4,597

The present value of finance lease liabilities was analysed as follows:

	2002 HK$'000	**2001 HK$'000**
Within one year	**1,496**	1,546
In the second year	**809**	1,442
In the third to fifth year	**917**	1,562
After the fifth year	**–**	47
	3,222	4,597

(c) Interest is charged on the outstanding obligations under finance leases at rates ranging from 5% to 10% (2001: 5% to 18%) per annum.

(d) At 31st December, 2002, all properties and a motor vehicle of the Group with aggregate net book value of approximately HK$43,797,000 (2001: HK$40,601,000) 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. As at 31st December, 2002, the loan facility was undrawn (2001: HK$1,873,000). The gross assets of the subsidiary as at 31st December, 2002 was approximately HK$8,620,000 (2001: HK$10,879,000).

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash used in operations

	2002 HK$'000	As restated 2001 HK$'000
Operating profit	**176,909**	225,523
Depreciation	**10,872**	8,136
Amortisation of intangible asset	**1,938**	–
Interest income	**(5,140)**	(5,408)
Impairment of fixed assets other than properties	**–**	462
Loss on disposal of fixed assets other than properties	**1,214**	2,108
Realised loss on disposal of non-trading securities	**–**	4,535
Deficit on revaluation of properties	**1,288**	6,990
Unrealised gain on other securities	**(21)**	(2,788)
Realised gain on disposal of other securities	**(4,291)**	(307)
Gain on disposal of an investment property	**(251)**	–
Gain on deemed dilution of interest in a subsidiary	**(278)**	–
Gain on disposal of a subsidiary	**(491)**	–
Operating profit before working capital changes	**181,749**	239,251
Increase in inventories	**(29,743)**	(25,633)
Increase in trade and other receivables and prepayments	**(285,387)**	(255,809)
Increase in bills payable	**39,894**	35,933
Decrease in trade and other payables and accrued charges	**(145,302)**	(5,849)
Net cash used in operations	**(238,789)**	(12,107)

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under finance leases	
	2002 HK$'000	**2001 HK$'000**	**2002 HK$'000**	**2001 HK$'000**	**2002 HK$'000**	**As restated 2001 HK$'000**
At 1st January	**181,655**	181,655	**2,402**	5,227	**373,537**	69,859
Exchange differences	**–**	–	**(31)**	–	**206**	(61)
Purchase of subsidiaries (note 25(c))	**9,912**	–	**1,189**	–	**–**	–
Minority's share of profits/(losses) and exchange reserves	**–**	–	**155**	(2,825)	**–**	–
Capital contribution from a minority shareholder of a subsidiary	**–**	–	**1,248**	–	**–**	–
Cash inflows from financing	**–**	–	**–**	–	**282,717**	299,850
Proceeds from issue of shares by placing	**138,947**	–	**–**	–	**–**	–
Share issue expenses	**(8,686)**	–	**–**	–	**–**	–
Inception of finance leases (note 25(c))	**–**	–	**–**	–	**615**	3,889
Disposal of a subsidiary	**–**	–	**–**	–	**(426)**	–
Gain on deemed dilution of interest in a subsidiary	**–**	–	**(278)**	–	**–**	–
At 31st December	**321,828**	181,655	**4,685**	2,402	**656,649**	373,537

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the contracts of HK$615,000 (2001: HK$3,889,000).

Part of the consideration for the acquisition of subsidiaries during the year comprised issue of 12,872,565 shares in the Company of HK$0.10 each (2001: Nil).

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Acquisition of subsidiaries

	2002 HK$'000
Net assets acquired	
Fixed assets (note 13)	8,041
Trade and other receivables	4,962
Bank balances and cash	4,121
Trade and other payables	(13,160)
Minority interests	(1,189)
	2,775
Goodwill	19,384
Total purchase consideration	22,159
Satisfied by:	
Issue of shares	9,912
Cash	12,247
	22,159
Analysis of the net cash outflow in respect of the acquisition of subsidiaries:	
Total cash consideration	(12,247)
Consideration payable included in other payables and accrued charges (note 21)	4,389
Cash consideration paid	(7,858)
Bank balances and cash in hand acquired	4,121
Net cash on purchase of subsidiaries	(3,737)

The subsidiaries acquired during the year contributed HK$1,641,000 to the Group's net operating cash flows and utilised HK$452,000 for investing activities.

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(e) Disposal of a subsidiary

	2002 **HK$'000**
Net liabilities disposed of:	
Fixed assets (note 13)	1,166
Inventories	2,757
Trade and other receivables	1,108
Cash and bank balances	691
Obligations under finance leases	(426)
Trade and other payables	(5,504)
Tax payable	(283)
	(491)
Gain on disposal of a subsidiary	491
Cash consideration (note 14(iii))	–
Analysis of the net cash outflow in respect of the disposal of a subsidiary is as follows:	
Cash and cash equivalents disposed of	(691)
Cash consideration	–
Net cash on the disposal of a subsidiary	(691)

The cash flows contributed by the subsidiary disposed of during the year were not material.

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(f) Analysis of balances of cash and cash equivalents

	2002 HK$'000	As restated 2001 HK$'000
Non-pledged bank balances and cash	**174,105**	184,945
Bank loans and overdrafts	**(564,038)**	(276,456)
Short-term bank loans	**563,683**	274,520
Bank overdrafts	**(355)**	(1,936)
	173,750	183,009

26 CONTINGENT LIABILITIES

	Company 2002 HK$'000	Company 2001 HK$'000
Facilities utilised under guarantees executed in favour of banks for securing banking facilities granted to subsidiaries	**831,464**	418,298

As at 31st December, 2002, the total guarantees executed in favour of banks for securing banking facilities granted to subsidiaries are HK$978,480,000 (2001: HK$545,041,000).

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

27 COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	Group	
	2002 HK$'000	2001 HK$'000
Contracted but not provided for	**60**	11,284

(b) Commitments under operating leases

(i) At 31st December, 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Not later than one year	**5,502**	5,764	**147**	393
Later than one year and not later than five years	**10,424**	7,589	**–**	23
Later than five years	**4,260**	3,280	**–**	–
	20,186	16,633	**147**	416

27 COMMITMENTS *(continued)*

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

(ii) At 31st December, 2002, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2002 HK$'000	2001 HK$'000
Land and buildings		
Not later than one year	**151**	459
Later than one year and not later than five years	**–**	1,811
	151	2,270

(c) Other commitments

At 31st December, 2002, the Group had approximately HK$55,668,000 (2001: HK$118,396,000) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

28 RELATED PARTY TRANSACTIONS

As at 31st December, 2001, the Group's banking facilities of approximately HK$15.4 million, were guaranteed by certain Directors 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.

During the year ended 31st December, 2002, the above charges and guarantees were released in exchange for corporate guarantees provided by the Company.

29 COMPARATIVE FIGURES

In accordance with SSAP15 (revised), cash flow statements, the Group no longer includes bills payable, money market fund and short-term bank loans with maturity within three months from date of drawndown but includes all non-pledged bank balances and cash as components of cash and cash equivalents. This change in accounting policy has been applied retrospectively so that the comparative figures of the consolidated cash flow statements have been restated to conform with the changed policy. This change has resulted in an increase in cash and cash equivalents by HK$42,399,000 as at 1st January, 2001 and by HK$119,860,000 as at 31st December, 2001.

30 PRINCIPAL SUBSIDIARIES

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

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2002	Group equity interest 2001	Principal activities
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	Singapore	Singapore	10,000 ordinary shares of S$1 each	**100%**	100%	Sale of pre-pay cards for logo downloadings and trading of mobile phones
* ChiTel Global Holdings Limited (formerly Bucking Horse Enterprises Limited)	British Virgin Islands	British Virgin Islands	200 shares of US$1 each	**70%**	–	Investment holding
* Chi Telecom Pty Ltd	Australia	Australia	1,175,100 ordinary shares of AUD1 each	**70%**	–	Provision of inter-city/ international telecommunication services using VoIP technology
* Chi Tel Limited	Hong Kong	Hong Kong	100 shares of HK$1 each	**70%**	–	Provision of inter-city/ international telecommunication services using VoIP technology

30 PRINCIPAL SUBSIDIARIES *(continued)*

Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2002	2001	Principal activities
Indirect subsidiaries: *(continued)*						
* Chi Tel NZ Limited	New Zealand	New Zealand	100 ordinary shares of no par value	**70%**	–	Provision of inter-city/ international telecommunication services using VoIP technology
* Chi-Tel UK Limited	The U.K.	The U.K.	1 ordinary share of GBP1	**70%**	–	Provision of inter-city/ international telecommunication services using VoIP technology
Exquisite Model Sdn. Bhd.	Malaysia	Malaysia	1,000,000 ordinary shares of RM1 each	**100%**	100%	Trading of mobile phones
First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500,000 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 Electronic Solutions Limited (formerly e-pay Asia Limited)	Hong Kong	Hong Kong	20,000 shares of HK$1 each	**100%**	70%	Investment holding
First Mobile Electronic Solutions (Philippines), Inc. (formerly e-pay Asia (Phils.), Inc.)	Republic of the Philippines	Republic of the Philippines	5,000,000 shares of P1 each	**100%**	70%	Sale of pre-pay airtime using e-pay Terminals

30 PRINCIPAL SUBSIDIARIES *(continued)*

	Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2002	Group equity interest 2001	Principal activities
	Indirect subsidiaries: *(continued)*						
	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	548,690 equity shares of INR10 each	**100%**	100%	Trading and distribution of mobile phones
	First Mobile Japan Co., Ltd.	Japan	Japan	1,900 shares of JPY50,000 each	**80%**	100%	Provision of inter-city/ international telecommunication services using VoIP technology
*	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 Limited	Hong Kong	Hong Kong	50,000,000 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	**–**	–	
	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%**	100%	Trading and distribution of mobile phones
*	Mobileperformances SARL	France	France	850 shares of 10 Euro each	**100%**	100%	Trading of mobile phones

30 PRINCIPAL SUBSIDIARIES *(continued)*

	Company	Country/ place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2002	Group equity interest 2001	Principal activities
	Indirect subsidiaries: *(continued)*						
*	Precision SARL	France	France	850 shares of 10 Euro each	**100%**	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$1,250,000	**100%**	100%	Trading and distribution of mobile phones

Except for Shanghai Fast Telcon Equipment International Trading Co., Ltd. which is a wholly owned foreign enterprise established in the People's Republic of China and a company limited by the registered capital, all other subsidiaries are companies limited by shares.

* Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets/(liabilities), turnover and net profit/(loss) before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 2.9%, 5.5% and 9.4% (2001: -4.7%, 2.8% and -8.7%) of the Group's net assets, turnover and profit before taxation respectively.

31 APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 20th March, 2003.

FINANCIAL SUMMARY

COMBINED/CONSOLIDATED RESULTS

	1998 HK$'000	1999 HK$'000	2000 HK$'000	2001 HK$'000	2002 HK$'000
Turnover	1,851,024	1,622,613	3,124,388	5,329,555	**6,272,570**
Operating profit/(loss)	(6,141)	69,899	193,042	225,523	**176,909**
Finance costs	(16,458)	(11,772)	(11,011)	(15,823)	**(31,643)**
Share of profit of a jointly controlled entity	–	–	–	–	**190**
Profit/(loss) before taxation	(22,599)	58,127	182,031	209,700	**145,456**
Taxation	2,787	(3,332)	(35,984)	(49,109)	**(36,832)**
Profit/(loss) after taxation	(19,812)	54,795	146,047	160,591	**108,624**
Minority interests	(100)	(3,420)	(1,632)	2,825	**(155)**
Profit/(loss) attributable to shareholders	(19,912)	51,375	144,415	163,416	**108,469**
Dividends	(3,000)	–	(30,000)	(35,000)	**(38,914)**

COMBINED/CONSOLIDATED ASSETS AND LIABILITIES

	1999 HK$'000	2000 HK$'000	2001 HK$'000	2002 HK$'000
Non-current assets	53,614	67,738	65,414	**97,396**
Current assets	239,120	864,344	1,357,118	**1,696,529**
Current liabilities	211,736	565,037	821,968	**1,035,183**
Non-current liabilities	20,506	12,706	94,286	**40,406**
Shareholders' funds	56,716	349,112	503,876	**713,651**

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 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, 2001 and 2002 have been extracted from the audited accounts of the Group as set out on pages 42 to 44 of the annual report.

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

Suite 1919-23
19th Floor, Grandtech Centre
8 On Ping Street
Shatin, New Territories
Hong Kong
Tel: (852) 2376 0233
Fax: (852) 2376 0210

香港新界沙田安平街8號
偉達中心19樓1919-23室
電話: (852) 2376 0233
傳真: (852) 2376 0210

www.firstmobile.com