

FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司



MASTERING THE MOBILE ARENA



FIRST QUARTERLY REPORT 2003
二零零三年第一季度業績報告

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

HIGHLIGHTS

For the three months ended 31st March, 2003, First Mobile Group Holdings Limited and its subsidiaries recorded satisfactory results under a very competitive environment. Highlights of the three-month performance are as follows:

- The Group achieved a turnover of approximately HK\$1,415 million
- Gross profit was approximately HK\$83 million
- Profit attributable to shareholders was approximately HK\$9 million
- Sold approximately 0.9 million units of mobile phones

RESULTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") are pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March, 2003 (the "Period") together with the unaudited comparative figures in 2002:

Unaudited Consolidated Profit and Loss Account

For the three months ended 31st March, 2003

		Three months ended 31st March,	
	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Turnover	2	1,415,171	1,250,970
Cost of sales		(1,331,685)	(1,152,131)
Gross profit		83,486	98,839
Other revenues	2	1,443	1,421
Selling and distribution expenses		(15,301)	(13,637)
General and administrative expenses		(45,122)	(26,186)
Other operating (expenses)/ income, net	3	(331)	3,192
Operating profit		24,175	63,629
Finance costs		(7,878)	(4,851)
Share of loss of a jointly controlled entity		(166)	–
Profit before taxation		16,131	58,778
Taxation	4	(5,846)	(13,288)
Profit after taxation		10,285	45,490
Minority interests		(1,678)	430
Profit attributable to shareholders		8,607	45,920
Earnings per share			
– Basic	6	HK0.44 cents	HK2.62 cents
– Diluted	6	Not applicable	HK2.59 cents

Unaudited Consolidated Net Tangible Assets

As at 31st March, 2003

		As at 31st March,	
	Note	2003 HK\$'000	2002 HK\$'000
Net tangible assets	8	<u>705,843</u>	<u>530,383</u>

Notes:

1. Basis of preparation

The unaudited consolidated profit and loss account and the unaudited consolidated net tangible assets (the "Unaudited Consolidated Accounts") have been prepared in accordance with the principal accounting policies of the Group which conform with accounting principles generally accepted in Hong Kong.

The accounting policies and methods of computation used in the preparation of the Unaudited Consolidated Accounts are consistent with those used in the annual accounts for the year ended 31st December, 2002 except that the Group has changed its accounting policy on income taxes following its adoption of Statement of Standard Accounting Practice ("SSAP") 12 (revised) on Income Taxes issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January, 2003.

The changes to the Group's accounting policy and the effect of adopting this new policy is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets, revaluations of other properties, provisions and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In prior periods, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy. The effect of this change has been accounted for in the Period as it is not material to the prior periods (note 4).

2. Turnover and revenues

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 Voice-over-IP ("VoIP") technology.

Turnover represents invoiced value of sales 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 Period are as follows:

	Three months ended 31st March,	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Revenue from sale of mobile phones and accessories, net	1,383,821	1,248,533
Revenue from sale of pre-pay airtime using e-pay Terminals, net	–	2,437
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	31,350	–
	1,415,171	1,250,970
Other revenues		
Interest income	1,113	1,263
Gross rental income from investment properties	–	158
Other rental income	302	–
Repair service income, net	28	–
	1,443	1,421
Total revenues	1,416,614	1,252,391

3. Other operating (expenses)/income, net

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

Other operating (expenses)/income, net for the three months ended 31st March, 2002 mainly comprised exchange difference and realised gain on disposal of other securities.

4. Taxation

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

	Three months ended 31st March,	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax (<i>note 4(i)</i>)	4,226	9,190
Overseas taxation (<i>note 4(ii)</i>)	3,486	4,098
Deferred taxation (<i>note 1</i>)	(1,866)	–
	5,846	13,288

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the Period.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the Period at the rates of taxation prevailing in the countries in which the Group operates.

5. Dividend

A final dividend of HK1 cent per share or a total of HK\$19,456,966 for the year ended 31st December, 2002 was declared on 29th April, 2003 and will be payable on 23rd May, 2003.

The Directors of the Company do not recommend the payment of an interim dividend for the Period (2002: nil).

6. Earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$8,607,000 (2002: HK\$45,920,000) and on the weighted average number of 1,945,696,565 (2002: 1,750,000,000) shares in issue during the Period.

Diluted earnings per share for the Period is not presented as there were no dilutive potential shares as at 31st March, 2003.

Diluted earnings per share for the three months ended 31st March, 2002 is calculated based on 1,775,894,569 shares which is the weighted average number of shares in issue during the period plus the weighted average of 25,894,569 shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. Movements in reserves

Movements in the reserves of the Group during the three months ended 31st March, 2003 and 2002 are set out below:

	Share premium <i>HK\$'000</i>	Other properties revaluation reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Reserve fund <i>(note (i))</i> <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>(note (iii))</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002	6,655	4,638	3,994	162	1,950	548	310,929	328,876
Exchange differences	-	-	-	-	-	322	-	322
2001 proposed final dividend	-	-	-	-	-	-	(17,500)	(17,500)
Profit for the period	-	-	-	-	-	-	45,920	45,920
At 31st March, 2002	<u>6,655</u>	<u>4,638</u>	<u>3,994</u>	<u>162</u>	<u>1,950</u>	<u>870</u>	<u>339,349</u>	<u>357,618</u>
At 1st January, 2003	127,258	3,067	3,994	162	4,872	63	379,665	519,081
Exchange differences	-	-	-	-	-	62	-	62
Profit for the Period	-	-	-	-	-	-	8,607	8,607
At 31st March, 2003	<u>127,258</u>	<u>3,067</u>	<u>3,994</u>	<u>162</u>	<u>4,872</u>	<u>125</u>	<u>388,272</u>	<u>527,750</u>

Notes:

- (i) In accordance with the relevant regulations in the People's Republic of China (the "PRC") applicable to wholly foreign owned enterprises, the PRC subsidiary of the Group is required to appropriate to the reserve fund an amount of not less than 10% of the amount of profit after taxation (based on figures reported in the statutory accounts). If the accumulated total of the reserve fund reaches 50% of the registered capital of the PRC subsidiary, the enterprise will not be required to make any further appropriation. The reserve fund may be used to reduce any losses incurred by the PRC subsidiary. The appropriation is made only at 31st December.
- (ii) Retained earnings as at 31st March, 2003 is analysed below:-

	<i>HK\$'000</i>
Retained earnings	368,815
2002 proposed final dividend [#]	<u>19,457</u>
	<u><u>388,272</u></u>

- [#] At a meeting of the board of Directors of the Company held on 20th March, 2003, the Directors proposed a final dividend of HK1 cent per share or a total of HK\$19,456,966 for the year ended 31st December, 2002, which was approved in the annual general meeting held on 29th April, 2003. This proposed dividend is not reflected as a dividend payable in the Unaudited Consolidated Accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2003.

8. Net tangible assets

	2003 HK\$'000	2002 HK\$'000
Opening net tangible assets of the Group as at 1st January	696,205	503,876
Profit attributable to shareholders for the three months ended 31st March	8,607	45,920
Adjustment for amortisation of intangible asset	969	–
2001 proposed final dividend	–	(17,500)
Movements in exchange reserve	62	322
Intangible asset	–	(2,235)
	<hr/>	<hr/>
Closing net tangible assets of the Group as at 31st March	705,843	530,383

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the distribution of a wide variety of brands of mobile phones and related accessories in the Asia Pacific region. Under a very competitive environment in this region, the Group's first quarterly results for the year 2003 were satisfactory.

Mobile Phone Distribution

Market environment

During the period under review, the market environment was very challenging and competitive due to a slowdown in the growth of subscriber base and the introduction of a significant number of new brands. The market trend has changed from preference on long established brands to up and coming brands that offer attractive product features and designs. This phenomenon is especially obvious in Mainland China. There was a high consumer acceptance of up and coming or local brands, which offer unique functions and features. Local brands have proved themselves to be a viable competitive force in Mainland China and they are more willing to spend more on advertising and promotions to solidify their market presence. This further intensifies the competition in this challenging market environment.

Industry leader

During the period under review, the Group acquired 8 additional new models, including Samsung SGH-V200C, S200, S300, Siemens S57, Alcatel OT512, 715, Philips 625 and Legend G303. All in all, the Group is now carrying a total of 17 brands and 72 models and believes that its diversified supplier mix will further improve the Group's profitability in the future.

In order to match the growing market popularity of local brands in the China market, the Group has recently begun to distribute renowned local brands, such as Daxian 510X, Telsda SG 2288, SG 4500 and Legend G303 in Mainland China. At present, the Group represents Siemens, Panasonic, Telsda and Legend for its GSM mobile phone business, and Kyocera and Daxian for its CDMA mobile phone business in Mainland China.

Voice-over-IP ("VoIP")

In April 2002, First Mobile ventured into the booming VoIP market by entering into an agreement to acquire Chi Telecom and Chi Tel Limited. The acquisition was completed in June 2002. These companies are principally engaged in the provision of VoIP services in the form of prepaid calling cards and wholesale of long-distance call traffic. At present, their geographical coverage includes Hong Kong, Australia, New Zealand, the U.K. and Japan. During the period under review, the Group sold approximately 89 million minutes through a total of over 3,500 retailers, representing increases of 39% and 17% respectively as compared to the fourth quarter of 2002. A 24-hour customer enquiries hotline has been established and the number of staff has increased to over 40 to provide better technical and customer service support. The Group believes its VoIP business will contribute significant revenue to the Group, through an integrated strategy of competitive pricing, superb service standards and creative marketing initiatives.

Financial Review

During the period under review, turnover for the first quarter amounted to approximately HK\$1,415 million, representing a growth of 13% over the same period of 2002. Despite a moderate increase in turnover, gross profit margin fell by 25% from 7.9% in the first quarter of 2002 to 5.9% in the corresponding period in 2003. The drop was a result of the more intensive market competition since the second half of 2002. Nevertheless, with devoted sales efforts and effective marketing strategies, gross profit margin progressively recovered from the fourth quarter of 2002 and the Group's performance gradually improved from this difficult environment. Sales of mobile

phones reached approximately 0.9 million units, which was only a slight decrease from the first quarter of 2002.

Compared to the first quarter of 2002, selling and distribution expenses increased slightly by 12% to approximately HK\$15 million due to increased marketing activities to boost up sales in such competitive environment.

General and administrative expenses increased sharply by 72% from approximately HK\$26 million for the three months ended 31st March, 2002 to approximately HK\$45 million for the period under review. This was mainly attributable to the growth of the Group's business establishments in India and Japan, and the consolidation of the operations of the VoIP business which was acquired in June 2002. In addition, in view of the competitive market environment, the Group has implemented a more prudent provisioning policy on stocks and debtors, resulting in a higher provision amount in the first quarter of 2003.

The increase in finance costs from approximately HK\$5 million in the first quarter of 2002 to approximately HK\$8 million was attributable to the growth in trade volume and the change in supplier mix as several new suppliers required settlement by documentary credits instead of an open account.

FUTURE PLANS AND PROSPECTS

Mobile Phone Distribution

The Severe Acute Respiratory Syndrome (SARS) outbreak started to take its toll on the economy in Asia in March 2003. It is commonly believed that an even more negative impact on the economy and consumption power will be reflected in the second quarter of 2003. We believe the sales of mobile phones in the second quarter may deteriorate from the first quarter. At the same time, this adverse situation further exerts pressure on product selling prices and stock levels.

Amidst such an adverse market environment, the Group will strive to ensure the provision of professional and quality services and adopt more flexible strategies to maintain a healthy financial performance.

Moreover, the Group will continue to obtain more distribution rights of up and coming GSM and CDMA mobile phones with attractive designs and unique features to enrich its extensive product portfolio.

VoIP

The Group will further develop its VoIP business in New Zealand by extending its sales network to Dunedin and Palmerston North. These cities are populated with a substantial number of Chinese and therefore, it is expected to generate high demands of long distance calling services to Mainland China. Upon the establishment of a solid distribution network in New Zealand, the Group plans to further venture into other potential regions like North America, Europe and other parts of Asia. In the near future, the Group expects its VoIP business to flourish and become one of the significant revenue contributors to the Group.

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 (the "Pre-Listing Share Option Plan") and share option scheme (the "Share Option Scheme"), were approved and adopted. The summary of the terms of the two share option schemes had been set out in Appendix V of the Company's prospectus in connection with placing of the Company's shares dated 20th December, 2000.

(i) Share Option Scheme

Under the Share Option Scheme, the board of Directors (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.

At the annual general meeting held on 29th April, 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "New Share Option Scheme") and the termination of the operation of the Share Option Scheme. No options had been granted since the adoption of the Share Option Scheme on 15th December, 2000 and up to the date of termination of the Share Option Scheme. Details of the New Share Option Scheme were disclosed in the circular to shareholders dated 27th March, 2003.

(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' and Chief Executive's Interests in Securities"), 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

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

Options to subscribe for 23,625,000 Shares in the Company lapsed during the three months ended 31st March, 2003 due to the resignation of employees. As at 31st March, 2003, there are options remaining to subscribe for an aggregate of 144,978,750 Shares, representing 7.5% 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 8,750,000 Shares granted to 6 senior management staff and options to subscribe for an aggregate of 4,103,750 Shares granted to 43 employees.

No options had been exercised or cancelled during the Period.

Following the adoption of the New Share Option Scheme and the termination of the Share Option Scheme on 29th April, 2003, the above-mentioned outstanding options granted under the Pre-Listing Share Option Plan shall continue to be subject to the provisions of the Pre-Listing Share Option Plan and will not in any event be affected by the adoption and termination of the schemes.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March, 2003, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's Directors, chief executive or their associates were as follows:

(a) Shares in the Company

(Shares of HK\$0.10 each)

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

Notes:

- (i) These shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong, and therefore Mr. Ng Kok Hong is deemed by virtue of the SDI Ordinance to be interested in these shares.
- (ii) These shares are held by NKT Holdings Sdn. Bhd., a company incorporated in Malaysia, which is owned as to 50% by Mr. Ng Kok Tai and as to 50% by Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SDI Ordinance to be interested in these shares.

Save as disclosed above, as at 31st March, 2003, none of the Directors, chief executive or their associates had any interests in the share capital of the Company.

(b) First Telecom International Limited

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

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

Note: These shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong, and therefore Mr. Ng Kok Hong is deemed by virtue of the SDI Ordinance to be interested in these shares.

(c) Options to subscribe for shares in the Company

Name of Director	Number of underlying shares under the Pre-Listing Share Option Plan		
	Personal interests	Family interests <i>(note)</i>	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.

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 Period.

Save as disclosed above, as at 31st March, 2003, none of the Directors, chief executive or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the Period was the Company or its subsidiaries a party to any arrangement to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of the Directors and chief executive as disclosed above, as at 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10 per cent. or more of the issued share capital of the Company.

COMPETING INTEREST

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

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

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

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

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

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 March, 2003, 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 Period and up to the date of this report, two audit committee meetings were held for reviewing the Company's annual report and quarterly report, and providing advices and recommendations to the board of Directors.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 13th May, 2003



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