

FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司



MASTERING THE MOBILE ARENA



FIRST QUARTERLY REPORT 2004
二零零四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, 2004, First Mobile Group Holdings Limited and its subsidiaries recorded satisfactory results despite a competitive operating environment. Highlights of the three months' performance are as follows:

- Turnover was approximately HK\$1,607 million, representing an increase of 14% over the same period of 2003
- Gross profit was approximately HK\$118 million, representing an increase of 42% over the same period of 2003
- Profit attributable to shareholders was approximately HK\$31 million, catapulted in excess of 250% over the same period of 2003
- Basic earnings per share saw a likewise surge to HK1.6 cents over the same period of 2003
- Number of mobile phones sold was approximately 1.0 million units

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, 2004 (the "Period") together with the unaudited comparative figures:

Unaudited Consolidated Profit and Loss Account

For the three months ended 31st March, 2004

		Three months ended	
		31st March,	
	<i>Note</i>	2004	2003
		HK\$'000	<i>HK\$'000</i>
Turnover	2	1,607,415	1,415,171
Cost of sales		(1,489,086)	(1,331,685)
		<hr/>	<hr/>
Gross profit		118,329	83,486
Other revenues	2	1,458	1,443
Selling and distribution expenses		(27,887)	(15,301)
General and administrative expenses		(37,092)	(45,122)
Other operating expenses, net	3	(151)	(331)
		<hr/>	<hr/>
Operating profit		54,657	24,175
Finance costs		(7,027)	(7,878)
Share of loss of a jointly controlled entity		–	(166)
		<hr/>	<hr/>
Profit before taxation		47,630	16,131
Taxation	4	(17,089)	(5,846)
		<hr/>	<hr/>
Profit after taxation		30,541	10,285
Minority interests		618	(1,678)
		<hr/>	<hr/>
Profit attributable to shareholders		31,159	8,607
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share	6	HK1.60 cents	HK0.44 cents

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated profit and loss account is extracted from the unaudited consolidated accounts of the Company. 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 profit and loss account are consistent with those used in the financial information as included in the annual accounts for the year ended 31st December, 2003.

2. Turnover and revenues

The Group is principally engaged in the trading and distribution of mobile phones and accessories and the provision of inter-city/international telecommunication services using Voice-over-IP ("VoIP") technology.

Turnover represents invoiced value of sale of mobile phones and accessories, 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,	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Revenue from sale of mobile phones and accessories, net	1,580,541	1,383,821
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	26,874	31,350
	1,607,415	1,415,171
Other revenues		
Interest income	846	1,113
Other rental income	229	302
Repair service income, net	383	28
	1,458	1,443
Total revenues	1,608,873	1,416,614

3. Other operating expenses, net

Other operating expenses, net mainly comprised amortisation of intangible assets and exchange differences.

4. Taxation

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

	Three months ended 31st March,	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax (<i>note (i)</i>)	4,745	4,226
Overseas taxation (<i>note (ii)</i>)	11,516	3,486
Deferred taxation	828	(1,866)
	<hr/>	<hr/>
	17,089	5,846
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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

The Directors do not recommend the payment of an interim dividend for the Period (2003: nil).

6. Earnings per share

Basic earnings per share for the Period is calculated based on the profit attributable to shareholders of HK\$31,159,000 (2003: HK\$8,607,000) and on the weighted average number of 1,945,696,565 (2003: 1,945,696,565) shares in issue during the Period.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31st March, 2004 (2003: not applicable).

7. Movements in reserves

Movements in the reserves of the Group during the three months ended 31st March, 2004 and 2003 are set out below:

	Share premium	Properties revaluation reserve	Merger reserve	Capital reserve	Reserve fund	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(note (i)) HK\$'000	HK\$'000	(note (ii)) HK\$'000	HK\$'000
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>
At 1st January, 2004	127,258	3,120	3,994	162	4,872	(233)	415,652	554,825
Exchange differences	-	-	-	-	-	(130)	-	(130)
Profit for the Period	-	-	-	-	-	-	31,159	31,159
At 31st March, 2004	<u>127,258</u>	<u>3,120</u>	<u>3,994</u>	<u>162</u>	<u>4,872</u>	<u>(363)</u>	<u>446,811</u>	<u>585,854</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 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 was not reflected as a dividend payable as at 31st March, 2003 but was reflected as an appropriation of retained earnings for the year ended 31st December, 2003.

ADVANCE TO AN ENTITY

According to rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Company's total market capitalisation. As at 31st March, 2004, trade receivable from a customer of the Group (the "Trade Receivable"), 上海頂一電訊設備有限公司 (the "Customer"), a company which is independent of, and not connected with, the Company, the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules), amounted to approximately HK\$62,000,000, representing approximately 14% of the Company's total market capitalisation as at 31st March, 2004. The Trade Receivable was resulted from sales to the Customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and has normal terms of settlement.

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the trading and distribution of mobile phones and related accessories from a wide variety of brands in the Asia Pacific region. Considering the competitive environment, the Group's first quarterly results for the year 2004 were satisfactory.

Mobile Phone Distribution

One of the Group's competitive advantages is its expertise in promoting products from emerging mobile phone manufacturers and to develop long-term and fruitful relationship with them. During the period under review, the Group maintained its leading position in the region by leveraging on its pro-active marketing efforts together with the ongoing introduction of new mobile phone models from renowned brands. For the first three months of 2004, it introduced over 10 new models, namely BenQ S670, DBTel J7, 5689, 3268, 2051P and Samsung SGH-X430, SGH-E100A, SGH-X600A, SGH-X600, SGH-X430, SGH-P400, SGH-S500 as well as Philips 535, and sold approximately 1.0 million units of mobile phones.

During the period under review, the Group set up 3 retail shops in Malaysia, namely Mobile City Batu Caves, Mobile City Giant LDP and Mobile City Sunway Pyramid, under Mobile City. These retail shops serve as a main window in offering retail sales and enquiry services for consumers. They also enhance the overall image of the Group's quality and comprehensive services in retail arena.

During the period under review, number of staff members in the Indian subsidiary increased by 36 to 129. At the same time, three new offices were established in Indore, Pune and Kolkatta to prepare for the booming market.

Financial Review

During the period under review, turnover for the first quarter amounted to approximately HK\$1,607 million, representing a growth of 14% over the corresponding period in 2003. Gross profit margin increased by 25% from 5.9% in the first quarter of 2003 to 7.4% in the period under review. The increase was mainly the result of the Group's strategy in shifting the product portfolio to more mid/high-end models and the recovery of the economy and consumers' spending confidence in the Southeast Asia region. Together with the effective sales effort and marketing strategies, sales volume reached 1.0 million units, representing an increase of 3% from the first quarter of 2003.

Selling and distribution expenses increased by 82% to approximately HK\$28 million for the first quarter of 2004 partly because of increased marketing activities to boost up sales following the economic recovery of the region. Besides, the commencement of VoIP business in the U.S., Canada and France in the second and third quarters of 2003 and the increased product promotion activities resulting from the business growth in India also contributed to the increase in selling and distribution expenses.

General and administrative expenses decreased by 18% from approximately HK\$45 million for the three months ended 31st March, 2003 to approximately HK\$37 million for the period under review. The decrease is attributable to the continuous overhead restraining measures taken by management and the closure of loss making mobile phone distribution business in the U.K. and VoIP business in Japan in the fourth quarter of 2003.

The finance costs slightly decreased from approximately HK\$8 million in the first quarter of 2003 to approximately HK\$7 million for the period under review.

FUTURE PLANS AND PROSPECTS

Mobile Phone Distribution

Apart from strengthening its regional distribution network, the Group will focus on the Indian and Philippine markets in the coming future in view of their high potentials.

The growth potential of Indian market is high with low GSM penetration rate of only 2.2% during the period under review (2003: 1.2%) (source: COAI, March 2004). The number of mobile subscribers saw a substantial growth of 106% from 12.7 million as at 31st March, 2003 to 26.2 million as at 31st March, 2004 (source: COAI, March 2004). In view of the robust market demands of colour-display phones and camera phones, the Group will strive to acquire more distribution rights of these products to fuel demands. In addition, the Group plans to open 3 more service centres in the country to provide better services to customers.

In the Philippines, the Group plans to launch a "Samsung Premium Partners Shop" program, in co-operation with local dealers, to sell Samsung mobile products through 60 concept shops. This will create a wide coverage of Samsung products in the retail arena. The Group also plans to set up two after-sales service centres in Manila and Iloilo by the end of June 2004 to further strengthen its service to consumers.

On the 3G front, the Group will explore and seek after potential opportunities arising from this newly launched technology.

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 "2000 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.

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 "2003 Share Option Scheme") and the termination of the operation of the 2000 Share Option Scheme. No options had been granted under the 2000 Share Option Scheme since its

adoption on 15th December, 2000 and up to the date of its termination. The summary of the terms of the 2003 Share Option Scheme was disclosed in the circular to shareholders dated 27th March, 2003.

(i) 2003 Share Option Scheme

Under the 2003 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 participant (as defined in the 2003 Share Option Scheme), including any employee and any 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 as at the date of its approval and as refreshed by members in general meeting in accordance with the terms of the 2003 Share Option Scheme.

Options granted under this scheme may be exercised within a period to be notified by the Board or the Committee to each grantee as being the period during which an option may be exercised, and in any event, such period shall not be longer than 10 years from the date of grant of the option.

The maximum number of Shares in respect of which options may be granted under the 2003 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 March, 2004, 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 and short positions in shares"), 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.

As at 31st March, 2004, there are options remaining to subscribe for an aggregate of 144,523,750 Shares, representing 7.4% 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 3,648,750 Shares granted to 40 employees.

No options had been lapsed, exercised or cancelled during the Period.

Following the adoption of the 2003 Share Option Scheme and the termination of the 2000 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' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st March, 2004, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(a) Shares in the Company

Name of Director	Number of shares of HK\$0.10 each			Total	Percentage of issued share capital
	Personal interests	Family interests <i>(note (i))</i>	Corporate interests <i>(note (ii))</i>		
Mr. Ng Kok Hong	596,766,389	9,088,625	-	605,855,014	31.14%
Mr. Ng Kok Tai	-	-	596,766,389	596,766,389	30.67%
Mr. Ng Kok Yang	146,944,889	-	-	146,944,889	7.55%
Mr. Wu Wai Chung Michael	2,003,500	-	-	2,003,500	0.10%
Mr. Sze Tsai To Robert	787,500	-	-	787,500	0.04%

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 SFO 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 SFO to be interested in these shares.

(b) Shares in an associated corporation

Name of Director	Number of non-voting deferred shares of HK\$1.00 each in First Telecom International Limited		
	Personal interests	Family interests <i>(note)</i>	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 SFO 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 SFO 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, 2004, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

Save as disclosed above, at no time during the Period was the Company or any of 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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st March, 2004, according to the register required to be kept under Section 336 of the SFO, the following persons (other than the Directors of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company based on returns filed on respective dates of notification:

Name	Date of Notification	Number of shares of HK\$0.10 each	Percentage of issued share capital
SW Kingsway Capital Group Limited	10th April, 2003	140,932,250	7.24% <i>(note(i))</i>
SW Kingsway Capital Holdings Limited	10th April, 2003	140,932,250	7.24% <i>(note(ii))</i>
World Developments Limited	10th April, 2003	140,932,250	7.24% <i>(note(iii))</i>
Innovation Assets Limited	10th April, 2003	140,932,250	7.24% <i>(note(iv))</i>
Kingsway International Holdings Limited	10th April, 2003	149,988,250	7.71% <i>(note(v))</i>
Mr. Choi Koon Shum Jonathan	10th April, 2003	149,988,250	7.71% <i>(note(vii))</i>

Notes:

- (i) Amongst 140,932,250 shares, 23,000,000 shares are held by SW Kingsway Capital Group Limited directly and 117,932,250 shares are held by three wholly-owned subsidiaries of SW Kingsway Capital Group Limited. The said three subsidiaries include Kingsway Lion Spur Technology Limited, Opal Dragon Investments Limited and Kingsway SW Finance Limited and they respectively hold 40,620,000, 69,312,250 and 8,000,000 shares in the Company. Therefore, SW Kingsway Capital Group Limited is deemed by virtue of the SFO to be also interested in the 117,932,250 shares.

- (ii) SW Kingsway Capital Holdings Limited holds 100% interests in shares of SW Kingsway Capital Group Limited. Therefore, SW Kingsway Capital Holdings Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited.
- (iii) World Developments Limited holds 74% interests in shares of SW Kingsway Capital Holdings Limited. Therefore, World Developments Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited.
- (iv) Innovation Assets Limited holds 100% interests in shares of World Developments Limited. Therefore, Innovation Assets Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited.
- (v) Amongst 149,988,250 shares, Kingsway International Holdings Limited is deemed by virtue of the SFO to be also interested in the 140,932,250 shares directly and indirectly held by SW Kingsway Capital Group Limited as Kingsway International Holdings Limited holds 100% interests in shares of Innovation Assets Limited.

Kingsway Securities Holdings Limited, a wholly-owned subsidiary of Kingsway International Holdings Limited, directly holds 7,956,000 shares in the Company. Accordingly, Kingsway International Holdings Limited is deemed by virtue of the SFO to be also interested in the 7,956,000 shares held by Kingsway Securities Holdings Limited.

Weaver Strategic Investments Limited directly holds 1,100,000 shares in the Company. Weaver Strategic Investments Limited is a wholly-owned subsidiary of HK Weaver Group Limited and Kingsway International Holdings Limited holds 77% interests in shares of HK Weaver Group Limited. Accordingly, Kingsway International Holdings Limited is deemed by virtue of the SFO to be also interested in the 1,100,000 shares held by Weaver Strategic Investments Limited.

- (vi) Mr. Choi Koon Shum Jonathan beneficially owns and controls 36,929,651 shares, representing 48% of the issued share capital of Kingsway International Holdings Limited and is deemed by virtue of the SFO to be also interested in the 149,988,250 shares in the Company held indirectly by Kingsway International Holdings Limited.

Save as disclosed above, as at 31st March, 2004, there was no other person (other than the Directors of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 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 5.28 to 5.30 of the GEM Listing Rules. As at 31st March, 2004, 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 advice and recommendations to the board of Directors.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 14th May, 2004

Executive Directors:

Ng Kok Hong (*Executive Chairman*)

Ng Kok Tai (*Executive Deputy Chairman*)

Ng Kok Yang

Independent Non-executive Directors:

Sze Tsai To Robert

Wu Wai Chung Michael

Wong Tin Sang Patrick



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