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

mastering the MOBILE ARENA

FIRST QUARTERLY REPORT 2005
二零零五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.

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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, 2005, First Mobile Group Holdings Limited (the "Company") and its subsidiaries recorded a loss in an extremely competitive operating environment. Highlights of the three months' performance are as follows:

- Turnover was approximately HK$1,539 million, representing a decrease of 4% over the same period of 2004

- Gross profit was approximately HK$61 million, representing a decrease of 49% over the same period of 2004

- Loss attributable to equity holders of the Company was approximately HK$26 million, representing a decrease of 183% over the same period of 2004

- Basic loss per share was HK1.33 cents

- Number of mobile phones sold was approximately 1.0 million units

RESULTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March, 2005 (the "Period") together with the unaudited comparative figures:

Unaudited Consolidated Profit and Loss Account
For the three months ended 31st March, 2005

		Three months ended 31st March,	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**1,538,621**	1,607,415
Cost of sales		**(1,477,956)**	(1,489,086)
Gross profit		**60,665**	118,329
Other revenues	*2*	**5,377**	1,458
Selling and distribution expenses		**(19,250)**	(27,887)
General and administrative expenses		**(51,373)**	(37,092)
Other operating expenses, net	*3*	**(13,862)**	(151)
Operating (loss)/profit		**(18,443)**	54,657
Finance costs		**(8,276)**	(7,027)
(Loss)/profit before taxation		**(26,719)**	47,630
Taxation	*4*	**(1,195)**	(17,089)
(Loss)/profit after taxation		**(27,914)**	30,541
Minority interests		**2,133**	618
(Loss)/profit attributable to equity holders of the Company		**(25,781)**	31,159
Basic (loss)/earnings per share	*6*	**HK(1.33) cents**	HK1.60 cents

Notes:

1. Basis of preparation and accounting policies

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has adopted these HKFRSs in the accounts for the year ending 31st December, 2005.

The unaudited consolidated profit and loss account is extracted from the unaudited consolidated accounts of the Company which have been prepared in accordance with HKFRSs issued by the HKICPA, and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong ("the GEM Listing Rules"). They have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value. The applicable new HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All new standards adopted by the Group require retrospective application other than those specifically allowed under the transitional provisions in the relevant standards. The following is a summary of significant changes to the principal accounting policies adopted in the preparation of the 2004 annual accounts as a result of the adoption of the new HKFRSs in 2005.

(a) HKAS17 Leases

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land was previously stated at fair value. In accordance with the provisions of HKAS 17, leasehold properties are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land element and the building element of the lease at the inception of the lease. The lease premium for leasehold land is stated at cost and amortised over the period of the lease. HKAS 17 has been applied retrospectively.

Building portion of freehold and leasehold properties was previously stated at fair value. Following the adoption of HKAS 17 where leasehold land is subject to amortisation, the accounting policy on buildings is changed and buildings are now stated at cost less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

As of 1st January, 2005, the effect of these changes in accounting policies is to decrease the net book value of freehold and leasehold properties by HK$9,462,000 (1st January, 2004: to increase by HK$7,117,000), to increase deferred tax assets by HK$1,370,000 (1st January, 2004: to decrease by HK$280,000), to decrease deferred tax liabilities by HK$894,000 (1st January, 2004: to increase by HK$120,000), to increase retained earnings by HK$5,333,000 (1st January, 2004: HK$9,837,000) and to decrease properties revaluation reserve by HK$12,531,000 (1st January, 2004: HK$3,120,000) respectively.

(b) *HKFRS 3 Business Combinations; HKAS 36 Impairment of Assets and HKAS 38 Intangible Assets*

The adoption has resulted in a change in accounting policy for goodwill. Goodwill was previously amortised on a straight-line basis over a period of not exceeding 20 years, and assessed for impairment at each balance sheet date.

Under HKFRS 3, goodwill is no longer amortised. Instead, it is tested for impairment annually, or more frequently, if events or changes in circumstances indicate a possible impairment. Any excess of fair value of assets and liabilities acquired over cost is recognised immediately as income under HKFRS 3. However, HKFRS 3 requires, if an entity previously recognised goodwill as a deduction from equity, it shall not recognise that goodwill in profit and loss account when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. There is no transitional arrangement for goodwill which has previously been eliminated against reserves as a matter of accounting policy.

HKFRS 3 is applied prospectively from 1st January, 2005. Under the transitional provision of HKFRS 3, the Group has to cease amortisation of goodwill from 1st January, 2005, and the negative goodwill previously recognised has to be derecognised as at 1st January, 2005, with a corresponding adjustment to the opening retained earnings.

As of 1st January, 2005, the effect of these changes in accounting policies is to decrease the capital reserve by HK$162,000 and to increase the retained earnings by the same amount.

(c) *HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement*

HKAS 32 and HKAS 39 establish principles for disclosure, presentation, recognition and measurement of financial instruments, including non-derivative financial assets, non-derivative financial liabilities and derivative instruments for hedging activities.

Under HKAS 39, financial instruments will be carried at either amortised cost or fair value, depending on their classification. Movements in fair value will be either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts are recognised in the balance sheet at fair value. The effect of adopting HKAS 39 is insignificant to the accounts.

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,	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Revenue from sale of mobile phones and accessories, net	**1,511,843**	1,580,541
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	**26,778**	26,874
	1,538,621	1,607,415
Other revenues		
Interest income	**1,657**	846
Rental income	**267**	229
Repair service income, net	**3,453**	383
	5,377	1,458
Total revenues	**1,543,998**	1,608,873

3. Other operating expenses, net

Other operating expenses, net mainly comprised amortisation of intangible assets, exchange differences and provisions in respect of cessation of operations of certain subsidiaries.

4. Taxation

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

	Three months ended 31st March,	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong profits tax *(note (i))*	**104**	4,745
Overseas taxation *(note (ii))*	**1,968**	11,516
Deferred taxation	**(877)**	828
	1,195	17,089

Notes:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 (2004: nil).

6. Loss per share

Basic loss per share for the Period is calculated based on the loss attributable to equity holders of the Company of HK$25,781,000 (2004: earnings of HK$31,159,000) and on the weighted average number of 1,945,696,565 (2004: 1,945,696,565) shares in issue during the Period.

Diluted loss per share is not presented as the Company has no dilutive potential shares as at 31st March, 2005 (2004: not applicable).

7. Movements in reserves

Movements in the reserves of the Group during the three months ended 31st March, 2005 and 2004 are set out below:

	Attributable to equity holders of the Company								
	Share premium	**Properties revaluation reserve**	**Merger reserve**	**Capital reserve**	**Reserve fund** *(note (i))*	**Exchange reserve**	**Retained earnings** *(note (ii))*	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2004, as previously reported	127,258	3,120	3,994	162	4,872	(233)	415,652	7,272	562,097
Effect on changes in accounting policy on freehold and leasehold properties *(note 1)*	–	(3,120)	–	–	–	–	9,837	–	6,717
At 1st January, 2004, as restated	127,258	–	3,994	162	4,872	(233)	425,489	7,272	568,814
Exchange differences	–	–	–	–	–	(130)	–	(32)	(162)
Profit for the Period	–	–	–	–	–	–	31,159	–	31,159
Minority's share of loss for the Period	–	–	–	–	–	–	–	(618)	(618)
At 31st March, 2004	127,258	–	3,994	162	4,872	(363)	456,648	6,622	599,193
At 1st January, 2005, as previously reported	**127,258**	**12,531**	**3,989**	**162**	**4,872**	**(2,271)**	**478,724**	**376**	**625,641**
Effect on changes in accounting policy on freehold and leasehold properties *(note 1)*	**–**	**(12,531)**	**–**	**–**	**–**	**–**	**5,333**	**–**	**(7,198)**
At 1st January, 2005, as restated	**127,258**	**–**	**3,989**	**162**	**4,872**	**(2,271)**	**484,057**	**376**	**618,443**
Impact of adoption of HKFRS3	**–**	**–**	**–**	**(162)**	**–**	**–**	**162**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**(130)**	**–**	**–**	**(130)**
Loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**(25,781)**	**–**	**(25,781)**
Minority's share of loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,133)**	**(2,133)**
Contribution from a minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**742**	**742**
At 31st March, 2005	**127,258**	**–**	**3,989**	**–**	**4,872**	**(2,401)**	**458,438**	**(1,015)**	**591,141**

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, 2005 is analysed below:

	HK$'000
Retained earnings	448,710
2004 proposed final dividend#	9,728
	458,438

At a meeting of the board of Directors of the Company held on 22nd March, 2005, the Directors proposed a final dividend of HK0.5 cent per share or a total of HK$9,728,483 for the year ended 31st December, 2004, which was approved in the annual general meeting held on 26th April, 2005. This proposed dividend was not reflected as a dividend payable as at 31st March, 2005 but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2005.

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, 2005, 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$36,000,000, representing approximately 8% of the Company's total market capitalisation as at 31st March, 2005. 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 accessory products from a wide array of brands in the Asia Pacific region. It offers complete value-added solutions to manufacturers, operators, dealers and end users, from pre-sales to distribution, marketing and after-sales of products.

Mobile Phone Distribution

Due to the general inventory build up in the market in the fourth quarter of 2004, the Group faced a difficult market environment during the first quarter of 2005. The situation was further deteriorated with the launching of many new models in the market in general, resulting in a price war during the first quarter of 2005.

During the period under review, the Malaysian subsidiary acquired distribution rights of 8 new models, namely Samsung SGH-C200C, SGH-X480C, SGH-E330C, SGH-E630C, SGH-E810C, SGH-P730C, SGH-i700C and SGH-D500C. Moreover, one more retail shop under the brand name of Mobile City was opened at the Curve, Damansara Mutiara. Like other Mobile City shops, it offers retail sales and customer service and helps boosting the Group's overall image as a full-service distributor.

In the Philippines, the Group acquired exclusive distribution rights of 5 Samsung models, namely SGH-i700, SGH-D500, SGH-E610, SGH-X480 and SGH-X610, during the period under review. Samsung continued to be the second largest mobile phone brand in the country, with a market share of approximately 15%. However, looking into the whole Philippines market, the total sales volume of all mobile phones during the period actually dropped approximately 15% over the fourth quarter of 2004. It was mainly due to the off-season and aggressive pricing strategies of some top-tier brands. To better serve customers, a new service centre was established in Iloilo Island, Central Philippines. Furthermore, the Philippines subsidiary has set up an interactive Dealer Workshop in the northern city of Laoag for its top dealers nationwide to build team spirit.

In Hong Kong, the Group launched 3 models with features such as Mega-pixel camera, Mini-SD card, 3D stereo sound, MP3 player and ringtone. It organised a few marketing and promotional activities such as roadshows, and sent promoters to retail shops to promote sales of mobile phones.

Financial Review

During the period under review, turnover for the first quarter amounted to approximately HK$1,539 million, representing a slight decrease of 4.3% over the corresponding period in 2004. A general inventory build up in the global and regional markets and an oversupply situation in the sales channels during the fourth quarter of 2004 has spilled over to the quarter under review. This had created a more competitive market environment than a year ago, resulting in the decrease in average selling price. As a result of the intense competition and price war in the market, gross profit margin decreased from 7.4% in the first quarter of 2004 to 3.9% in the period under review, a significant decline of 46.4% over the corresponding quarter. Despite this difficult business climate, the Group managed to sustain its sales volume for the three months ended 31st March, 2005 at approximately 1.0 million units, comparable to that of the corresponding quarter.

Selling and distribution expenses decreased by 31.0% to approximately HK$19 million for the first quarter of 2005. The increased marketing activities in the first quarter of 2004 in the wake of the economic recovery of the Asia Pacific region during that time was not present in this quarter, leading to a decline in the selling and distribution expenditure in quarterly comparison.

General and administrative expenses increased by 38.5% from approximately HK$37 million for the three months ended 31st March, 2004 to approximately HK$51 million for the period under review. The increase is mainly attributable to increased expenditure relating to the Group's new operations.

Other net operating expenses increased significantly to HK$13.9 million for the three months ended 31st March, 2005, mainly due to the exceptional provisions of HK$10.6 million as further explained below.

The finance costs increased slightly from approximately HK$7 million in the first quarter of 2004 to approximately HK$8 million for the period under review mainly due to the increase in interest rate.

The Group, in its continuous effort to increase shareholders' return, has made the following strategic decisions:

- Management has continued on course with its strategy to revamp the Group's Voice-over-IP ("VoIP") business. Following the cessation of operations in France, management has re-assessed the future prospects of its VoIP business in the United Kingdom and Hong Kong. In line with the Group's demand to return the Chi Tel Group to profitability as soon as possible, and in view of the continued losses suffered by the Group in these markets, management has decided to cease its VoIP businesses in the United Kingdom and Hong Kong. Consequently, a provision of HK$3.6 million, in relation to this cessation has been made in this period.

- The current business environment is difficult for the distribution of upcoming brands that the Group represents in India. After due and careful consideration, and after considering the continued losses incurred by the Indian operations, the Group has decided to withdraw its mobile phone trading and distribution business from India. Management is in the process of systematically closing its regional offices, service centres and warehouses. Consequently, a provision in relation to this closure amounting to HK$7 million has been made in this period.

Management is of the view that the continued losses suffered by the Group in respect of the above is detrimental to the interest of its shareholders. Management strongly believes that the above decisions will return the Group to a stronger financial footing.

FUTURE PLANS AND PROSPECTS

Mobile Phone Distribution

In the Philippines, we plan to open more new service centres to serve our customers in the coming future. We also target to have joint promotions with renowned brands to promote sales in the summer of 2005.

On the 3G front, some countries have launched or are going to launch 3G service. Therefore, beside distributing 2G and 2.5G mobile phones, the Group will also explore and seek potential opportunities arising from 3G 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.

(a) 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. The total number of Shares which may be issued upon exercise of all options under the 2003 Share Option Scheme and the Pre-Listing Share Option Plan must not exceed 10% of the total number of Shares in issue as at the date of approval of the 2003 Share Option Scheme 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, 2005, no options under this scheme had been granted.

(b) 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, 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 grantees 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 73,500 Shares in the Company lapsed during the three months ended 31st March, 2005 due to the resignation of employees. As at 31st March, 2005, there are options remaining to subscribe for an aggregate of 98,300,125 Shares, representing 5% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 92,487,500 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 3,675,000 Shares granted to 4 senior management staff and options to subscribe for an aggregate of 2,137,625 Shares granted to 28 employees.

No options had been 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, 2005, the interests and short positions of the Directors and 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

	Number of shares of HK$0.10 each				Percentage
Name of Director	**Personal interests**	**Family interests** *(note (i))*	**Corporate interests** *(note (ii))*	**Total**	**of issued share capital**
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

	Number of non-voting deferred shares of HK$1.00 each in First Telecom International Limited		
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 SFO 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	33,075,000	–	33,075,000
Mr. Ng Kok Tai	29,400,000	612,500	30,012,500
Mr. Ng Kok Yang	30,012,500	–	30,012,500

Note: The option to subscribe for 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, 2005, 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, 2005, other than the interests disclosed in the section headed "Directors' interests and short positions in shares" above, there were no other persons 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.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct (the "Code") regarding securities transactions by Directors of the Company on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules on 14th May, 2004. Having made specific enquiry of all Directors, the Directors have complied with the Code and the required standard of dealings since its date of adoption and up to the period ended 31st March, 2005.

AUDIT COMMITTEE

The Company established an audit committee on 15th December, 2000 with terms of reference in compliance with rules 5.28 and 5.29 of the GEM Listing Rules. As at 31st March, 2005, the audit committee comprises three independent non-executive Directors, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick.

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, 13th May, 2005

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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