



FIRST MOBILE GROUP HOLDINGS LIMITED
(第一電訊集團有限公司)*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8110)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

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

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The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of First Mobile Group Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange for the purpose of giving information with regard to First Mobile Group Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

HIGHLIGHTS

For the year ended 31st December, 2004, First Mobile Group Holdings Limited and its subsidiaries performed satisfactorily under a very competitive environment. Highlights of the year's performance are as follows:

- The Group achieved a turnover of approximately HK\$6,183 million
- Gross profit was approximately HK\$366 million
- Profit attributable to shareholders was approximately HK\$63 million
- Basic earnings per share was HK3.2 cents
- Sold approximately 3.7 million units of mobile phones
- Proposed final dividend is HK0.5 cent per share

RESULTS

The Directors of First Mobile Group Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2004 together with the audited comparative figures for the year ended 31st December, 2003:

Audited Consolidated Profit and Loss Account

For the year ended 31st December, 2004

	<i>Note</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Turnover	2	6,183,131	6,191,951
Cost of sales	3	(5,816,871)	(5,853,778)
Gross profit		366,260	338,173
Other revenues	2	10,925	6,010
Selling and distribution expenses		(101,053)	(64,630)
General and administrative expenses		(157,266)	(155,748)
Other operating income/(expenses), net	4	10,017	(6,757)
Operating profit	5	128,883	117,048
Finance costs	6	(32,796)	(33,051)
Share of loss of a jointly controlled entity		–	(166)
Profit before taxation		96,087	83,831
Taxation	7	(40,129)	(26,243)
Profit after taxation		55,958	57,588
Minority interests		7,114	(2,144)
Profit attributable to shareholders		63,072	55,444
Dividend	8	9,728	–
Basic earnings per share	9	HK3.2 cents	HK2.8 cents

Notes:

1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention except that properties and other securities are stated at fair value.

The accounting policies used in the accounts are consistent with those used in the annual report for the year ended 31st December, 2003.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Turnover, revenue and segment information

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 year are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Revenue from sale of mobile phones and accessories, net	6,082,062	6,077,534
Revenue from provision of inter-city/international telecommunication services using VoIP technology, net	<u>101,069</u>	<u>114,417</u>
	<u>6,183,131</u>	<u>6,191,951</u>
Other revenues		
Interest income	5,106	4,652
Rental income	917	908
Repair service income, net	<u>4,902</u>	<u>450</u>
	<u>10,925</u>	<u>6,010</u>
Total revenues	<u>6,194,056</u>	<u>6,197,961</u>

Primary reporting format – business segments

The Group’s segment revenues, expenses, results, assets and liabilities are primarily attributable to trading and distribution of mobile phones and accessories, and provision of inter-city/international telecommunication services using VoIP technology.

Other operations of the Group include provision of repair services for mobile phones and holding of properties, neither of which are of a sufficient size to be reported separately.

The analysis of the Group's segment information for the year ended 31st December, 2004 by business segment is as follows:

	Sales of mobile phones and accessories		Revenue from provision of inter-city/international telecommunication services using VoIP technology		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	6,082,062	6,077,534	101,069	114,417	6,183,131	6,191,951
Segment results	163,638	141,772	(17,506)	(2,035)	146,132	139,737
Interest income					5,106	4,652
Unallocated income and expenses, net					(22,355)	(27,341)
Operating profit					128,883	117,048
Finance costs					(32,796)	(33,051)
Share of loss of a jointly controlled entity	-	(166)	-	-	-	(166)
Profit before taxation					96,087	83,831
Taxation					(40,129)	(26,243)
Profit after taxation					55,958	57,588
Minority interests					7,114	(2,144)
Profit attributable to shareholders					63,072	55,444

Secondary reporting format – geographical segments

	Turnover		Segment results	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,655,582	4,499,040	104,835	118,922
Mainland China	89,783	227,506	(10,786)	(23,788)
Malaysia	985,236	941,701	78,545	60,159
The U.K.	6,885	163,306	(4,770)	(6,392)
The Philippines	105,903	62,652	9,550	(2,850)
Other countries	339,742	297,746	(24,645)	170
	6,183,131	6,191,951	152,729	146,221
Unallocated costs			(28,952)	(33,825)
Interest income			5,106	4,652
Operating profit			128,883	117,048

3. Cost of sales

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost of sales comprises:		
Cost of inventories sold	5,650,853	5,719,441
Other direct costs	124,163	125,559
Provision for inventory loss	41,855	8,778
	<u>5,816,871</u>	<u>5,853,778</u>

4. Other operating income/(expenses), net

Other operating income/(expenses), net mainly comprised reversal of deficit on revaluation of leasehold properties, gain on dissolution of subsidiaries, loss on disposal of fixed assets, amortisation of intangible assets and exchange differences for the year ended 31st December, 2004.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Crediting		
Gain on disposal of a jointly controlled entity #	–	5
Gain on dissolution of subsidiaries #	2,941	–
Reversal of deficit on revaluation of leasehold properties #	4,566	–
Unrealised gain on other securities #	39	33
	<u> </u>	<u> </u>
Charging		
Amortisation of intangible assets #	6,952	5,671
Auditors' remuneration		
– current year	3,308	2,320
– under provision in prior years	398	278
Deficit on revaluation of freehold and leasehold properties #	–	620
Depreciation		
– owned fixed assets	11,554	10,513
– leased fixed assets	1,131	1,427
Impairment of fixed assets	625	–
Loss on disposal of fixed assets other than properties #	138	2,692
Operating leases		
– land and buildings	11,718	9,107
– office equipment	209	199
Pre-operating costs	218	1,290
Provision for bad and doubtful debts	7,561	14,051
Redundancy costs (also included in staff costs)	–	1,684
Staff costs (including Directors' remuneration and retirement benefit costs)	104,861	96,849
	<u> </u>	<u> </u>

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

6. Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest expenses on:		
– bank loans and overdrafts	20,769	21,185
– finance leases	195	340
Bank and other charges	11,832	11,526
	<u>32,796</u>	<u>33,051</u>

7. Taxation

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax (<i>note (i)</i>)	14,142	13,316
Overseas taxation (<i>note (ii)</i>)	26,765	18,689
Under/(over) provision of taxation in prior years	1,169	(2,371)
Deferred taxation	(1,947)	(3,391)
	<u>40,129</u>	<u>26,243</u>

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 year.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

8. Dividend

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
2004 final, proposed, of HK0.5 (2003: Nil) cent per share	<u>9,728</u>	<u>–</u>

Note:

At a meeting of board of Directors, the Directors have proposed a final dividend of HK0.5 cent per share payable to members subject to approval of such final dividend in the forthcoming Annual General Meeting to be held on 26th April, 2005. If the dividend is approved in the said Annual General Meeting, such dividend will be payable on 26th May, 2005 to members whose names are on the register of members of the Company on 26th April, 2005.

The register of members of the Company will be closed from Wednesday, 20th April, 2005 to Tuesday, 26th April, 2005, both days inclusive, during which period no transfer of shares may be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration, not later than 4:00 p.m. on Tuesday, 19th April, 2005.

9. Earnings per share

Basic earnings per share for the year is calculated based on the profit attributable to shareholders of HK\$63,072,000 (2003: HK\$55,444,000) and on the weighted average number of 1,945,696,565 (2003: 1,945,696,565) shares in issue during the year.

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

10. Reserves

Movements in the reserves of the Group during the year are set out below:

	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Reserve fund (note (i)) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1st January, 2004	127,258	3,120	3,994	162	4,872	(233)	415,652	554,825
Exchange differences	-	-	-	-	-	(1,033)	-	(1,033)
Surplus on revaluation of properties								
– gross	-	12,043	-	-	-	-	-	12,043
– taxation	-	(2,632)	-	-	-	-	-	(2,632)
Profit attributable to shareholders	-	-	-	-	-	-	63,072	63,072
Release of reserves upon dissolution of subsidiaries	-	-	(5)	-	-	(1,005)	-	(1,010)
Balance at 31st December, 2004	127,258	12,531	3,989	162	4,872	(2,271)	478,724	625,265
Reserves	127,258	12,531	3,989	162	4,872	(2,271)	468,996	615,537
Proposed final dividend (note 8)	-	-	-	-	-	-	9,728	9,728
	127,258	12,531	3,989	162	4,872	(2,271)	478,724	625,265
Retained by:								
Company and subsidiaries	127,258	12,531	3,989	162	4,872	(2,271)	478,724	625,265
Balance at 1st January, 2003	127,258	3,067	3,994	162	4,872	63	379,665	519,081
Exchange differences	-	-	-	-	-	(296)	-	(296)
Net surplus on revaluation of properties	-	53	-	-	-	-	-	53
Profit attributable to shareholders	-	-	-	-	-	-	55,444	55,444
2002 final dividend	-	-	-	-	-	-	(19,457)	(19,457)
Balance at 31st December, 2003	127,258	3,120	3,994	162	4,872	(233)	415,652	554,825
Retained by:								
Company and subsidiaries	127,258	3,120	3,994	162	4,872	(233)	415,652	554,825

Note:

- (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.

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 December, 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\$34,000,000, representing approximately 8% of the Company's total market capitalisation as at 31st December, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

Turnover remained stable for year 2004 which amounted to approximately HK\$6,183 million (2003: HK\$6,192 million). Gross profit margin improved from 5.5% in 2003 to 5.9% in 2004 despite severe price wars and intense market competition across the region. Such increase was resulted from the Group's continuous efforts in shifting the product portfolio to more mid to high-end models. Sales volume for year 2004 was approximately 3.7 million units (2003: 3.7 million units).

Selling and distribution expenses increased substantially from HK\$65 million in year 2003 to HK\$101 million in year 2004 which was partly due to the marketing activities carried out throughout year 2004 for new models and partly due to the geographical expansion to Taiwan.

General and administrative expenses and finance costs for year 2004 remained stable.

Although there was intense market competition, the Group was able to leverage on its rich product portfolio and extensive geographical coverage to achieve satisfactory results from the mobile phone distribution business. Combined net profit from key regions of Hong Kong, Malaysia and the Philippines amounted to approximately HK\$113 million.

Nevertheless, loss was recorded in the Voice-over-IP ("VoIP") business as a result of keen competition in the new markets explored in the second half of 2003 and high operating costs in these new markets. Substantial operating losses in the first half year of 2004 and additional provisions made at year end resulted in a significant loss of approximately HK\$24 million.

Taking VoIP business operations into account, the Group's total profit attributable to shareholders amounted to approximately HK\$63 million in 2004 (2003: HK\$55 million). However, when excluding the loss-making VoIP business, the Group's net profit from its core business of mobile phone distribution was approximately HK\$80 million, representing an encouraging growth of 35% as compared with that of 2003. The core business has continued to demonstrate a healthy growth and performed well in our key countries during the year under review. The Group has achieved satisfactory profit margin and has acquired distribution rights of popular models in the region. Nevertheless, due to keen market competition, the business in India did not achieve satisfactory results in 2004. The Group is determined to revitalize the operations so as to improve the results in 2005.

Basic earnings per share increased from HK2.8 cents in year 2003 to HK3.2 cents in year 2004.

The board of Directors proposed a final dividend of HK0.5 cent per share for the year ended 31st December, 2004.

The continuous growth in the distribution business in Malaysia and the Philippines, together with the geographical expansion to Taiwan contributed to the increase in inventory balance to HK\$424 million (2003: HK\$336 million). Stock turnover days increased to 29 days in year 2004 (2003: 22 days). The growth in distribution business also led to an increase in trade receivable from HK\$837 million in year 2003 to HK\$975 million in year 2004. Debtor turnover days was 59 days in year 2004 (2003: 51 days).

Liquidity and Financial Resources

As at 31st December, 2004, bank and cash balances of the Group were approximately HK\$545 million (2003: HK\$470 million), of which approximately HK\$387 million (2003: HK\$338 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK\$569 million (2003: HK\$575 million), comprising long-term bank loans of approximately HK\$8 million (2003: HK\$42 million), obligations under finance lease of approximately HK\$2 million (2003: HK\$3 million), and short-term bank loans and overdrafts of approximately HK\$559 million (2003: HK\$530 million).

Due to full repayment of the HK\$80 million term loan during the first quarter of 2004, long-term bank loans reduced significantly. The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2004 was 26% (2003: 30%).

A subsidiary of the Company pledged all its current and future assets as security for a mortgage loan. This was supplemented by a personal guarantee from the resident director of the subsidiary in accordance with local banking practice. As at 31st December, 2004, the mortgage loan amounted to approximately HK\$4 million (2003: HK\$4 million) and the gross asset value of the subsidiary was approximately HK\$19 million (2003: HK\$24 million).

Certain properties (excluding the pledged property of the subsidiary mentioned above) of the Group with carrying values of approximately HK\$56 million (2003: HK\$42 million) are also pledged as security for the Group's general banking facilities. In addition, a motor vehicle with carrying value of approximately HK\$0.2 million (2003: HK\$0.2 million) is pledged as security for a loan to finance its purchase.

Fixed assets increased to approximately HK\$97 million as at 31st December, 2004 (2003: HK\$85 million) which was mainly resulted from the revaluation surplus of the Group's leasehold properties.

Capital Structure

There was no change in the Company's share capital during the year.

Treasury Policies

The Group's business transactions, assets and liabilities are mainly denominated in either Hong Kong Dollars, United States Dollars, Renminbi, Euro or Malaysia Ringgits. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. As at 31st December, 2004, the Group had approximately HK\$53 million (2003: HK\$142 million) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies. The Group does not engage in foreign currency speculative activities.

Capital Commitments

The Group did not have any significant capital commitments as at 31st December, 2004 and 2003.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31st December, 2004 and 2003.

Employees

As at 31st December, 2004, the Group had 726 (2003: 579) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2004 amounted to approximately HK\$105 million (2003: HK\$97 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group has a share option scheme for Directors and employees, details of which are disclosed in the section below of “Share Option Schemes”.

BUSINESS REVIEW

Review of Business Operations

During the year under review, the Group acquired an addition of 4 brands and approximately 70 new models of mobile phones with popular features such as Mega-pixel cameras, Mini-SD cards, 3D stereo sound, MP3 players and MP3 ringtones. As at the end of 2004, the Group distributed a total of over 10 brands and over 100 mobile phone models, all of which are from renowned manufacturers.

Although there was intense market competition, the Group was able to leverage on its rich product portfolio and extensive geographical coverage to achieve satisfactory results during 2004. Combined net profit from key regions of Hong Kong, Malaysia and the Philippines amounted to approximately HK\$113 million. The Group also sees a healthy growth of turnover in these regions.

Geographical Coverage

HONG KONG

During the year under review, the Group successfully launched over 10 new mobile phone models in Hong Kong. Almost all these new models were widely recognised in the market and gained positive response and achieved satisfactory sales volumes. With the increasing heat in the Third Generation (“3G”) market, 3G related products and services will become more popular. The Group will actively explore business opportunities related to 3G technology.

MALAYSIA

The Group’s subsidiaries in Malaysia achieved good business performance. During the year under review, the Group launched 13 Samsung mobile phone models, namely SGH-X100A, SGH-E100A, SGH-X430, SGH-X600A, SGH-D410C, SGH-E600C, SGH-E800C, SGH-X460C, SGH-E310C, SGH-E330C, SGH-P510, SGH-X120C and SGH-C200C. Samsung is the second largest mobile phone brand with a market share of approximately 27% in Malaysia. The Group believes that its long-term win-win relationship with Samsung will continue to bring positive contribution to both the Group and Samsung in Malaysia. The Group continued its market penetration in the retail arena through retail chains operating under the brand name of Mobile City. These shops serve as a main window offering retail sales and customer service, and most importantly, have boosted the Group’s overall image as a full-service distributor.

MAINLAND CHINA

During 2004, the Group launched an innovative model in Mainland China with state-of-the-art technology and many unique features. To promote sales of this new model, the Group organised a wide range of marketing activities and promotional events such as roadshows, sales promotions and various retail promotions in a number of major cities in Mainland China.

THE PHILIPPINES

During the year under review, the Group was the distributor of Samsung mobile phones, the second largest mobile phone brand in the Philippines. It opened an exclusive Samsung mobile centre in Glorietta, a high-end and high-traffic mall in Makati city, a major business district in the metro-Manila. To further strengthen the coverage of Samsung products in the retail arena, the Group established approximately 60 concept shops under the banner “Samsung Privilege Partners Shop” (“SPP”) in the Philippines, in cooperation with local dealers, to sell Samsung mobile products.

TAIWAN

In the third quarter of 2004, the Group set up new offices in Taiwan with sales activities commencing in August 2004. During the year under review, the Group successfully launched 7 new models with innovative features in the market. The Group will continue to explore and capture the high growth potential in the Taiwan market.

INDIA

In India, due to keen competition, the top 4 brands (namely Nokia, Samsung, Motorola and Sony Ericsson) have been investing heavily to maintain their respective market shares. As a result, the business environment is difficult for distribution of the upcoming brands that the Group represents in India. Since the market environment is unfavourable for upcoming brands, the Group will proceed cautiously in the India market by closely monitoring the business environment.

VoIP

During 2004, the VoIP business suffered losses due to severe price wars, keen market competition and high operating cost. Under the direction of the Board, the management has implemented aggressive strategies to reduce operating costs and has planned to revamp the business by the middle of 2005. Fixed and operating costs are estimated to be reduced by approximately HK\$19 million. Average profit margin is expected to improve from 30% to 35% in 2005. New products will be launched to broaden the revenue stream and to improve profit margin.

Future Plans and Development

The Group’s mission is to sustain an unrivaled market leadership in the mobile communication industry throughout the Asia Pacific region. This vision will be achieved by enriching our product portfolio and maintaining excellent relationships with various manufacturers, as well as by continuing to strengthen the Group’s market presence throughout the Asia Pacific region.

Backed by the encouraging revival of the economy, the mobile phone industry is expected to experience significant growth in 2005.

The Group’s winning strategy of focusing on upcoming and mid to high-end mobile phones was well-recognised by the market in 2004. To capture opportunities brought forth by the strong and prosperous economy in 2005, the Group will employ continuous efforts in exploring and marketing new mobile phone brands and models to enhance its product portfolio.

The Group believes that its business will continue to prosper in the Asian markets and will work closely with local dealers and retailers on further strengthening the distribution network for facilitating expansion in Asia.

In view of the increasing popularity of 3G mobile phones and related technologies, the Group will continue to explore business opportunities related to this new technology. The Group expects 3G phones and innovative phones to be the trend in the near future, and the number of subscribers to grow substantially in the coming years. To satisfy the continual changes in consumer tastes due to new technological advancements, the Group will continue to seek quality products and applications related to 3G.

To further solidify its distribution network, the Group also aims to explore opportunities of further expansion in the retail sector.

The Group is committed to make a determined effort in sustaining its status as the leading regional distributor of mobile phones and related accessories in the Asia Pacific region. The Group will continue to launch new products so as to enhance its portfolio and profitability. The Group is well-equipped for long-term business growth to bring profitable returns and create value for the Group's customers and shareholders.

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 December, 2004, 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 46,150,125 Shares in the Company lapsed during the year ended 31st December, 2004 of which 42,478,625 Shares lapsed due to the expiry of the option period in accordance with the terms of the Pre-Listing Share Option Plan and the remaining 3,671,500 Shares lapsed due to the resignation of employees. As at 31st December, 2004, there are options remaining to subscribe for an aggregate of 98,373,625 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 2,211,125 Shares granted to 30 employees.

No options had been exercised or cancelled during the year ended 31st December, 2004.

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 December, 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 (note (i))	Corporate interests (note (ii))		
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 (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**

Name of Director	Number of underlying shares under the Pre-Listing Share Option Plan					
	Outstanding at 1st January, 2004		Lapsed during the year		Outstanding at 31st December, 2004	
	Personal interests	Family interests (note)	Personal interests	Family interests	Personal interests	Family interests
Mr. Ng Kok Hong	47,250,000	–	(14,175,000)	–	33,075,000	–
Mr. Ng Kok Tai	42,000,000	875,000	(12,600,000)	(262,500)	29,400,000	612,500
Mr. Ng Kok Yang	42,875,000	–	(12,862,500)	–	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 year.

Save as disclosed above, as at 31st December, 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 year 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 December, 2004, 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 year ended 31st December, 2004, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities.

BOARD PRACTICES AND PROCEDURES

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 (before amendments relating to the Code on Corporate Governance Practices and Rules on the Corporate Governance Report on 1st January, 2005) during the year.

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 year ended 31st December, 2004.

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 (before amendments relating to the Code on Corporate Governance Practices and Rules on the Corporate Governance Report on 1st January, 2005). As at the date of this announcement, 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 year and up to the date of this announcement, five audit committee meetings were held for reviewing the Company’s annual report, half-year report and quarterly reports, and providing advice and recommendations to the board of Directors.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 22nd March, 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

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the Company’s website at www.firstmobile.com.