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, 2005

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.

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 (the "GEM Listing Rules") 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, 2005, 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$6,718 million
- Gross profit was approximately HK$349 million
- Profit attributable to equity holders of the Company was approximately HK$8 million
- Basic earnings per share was HK0.4 cent
- Sold approximately 4.5 million units of mobile phones

RESULTS

The Directors of First Mobile Group Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2005 together with the comparative figures for the year ended 31st December, 2004:

Consolidated Profit and Loss Account

For the year ended 31st December, 2005

	Note	**2005 HK$'000**	Restated 2004 HK$'000
Turnover	2	**6,718,420**	6,183,131
Cost of sales	3	**(6,369,341)**	(5,816,871)
Gross profit		**349,079**	366,260
Other income/revenues	2	**18,981**	10,925
Selling and distribution expenses		**(67,068)**	(101,053)
General and administrative expenses		**(203,460)**	(157,235)
Other operating income	4	**6,150**	13,237
Other operating expenses	4	**(22,559)**	(7,786)
Operating profit	5	**81,123**	124,348
Finance costs	6	**(45,368)**	(32,796)
Profit before taxation		**35,755**	91,552
Taxation	7	**(29,432)**	(40,098)
Profit for the year		**6,323**	51,454
Attributable to:			
Equity holders of the Company		**8,498**	58,568
Minority interests		**(2,175)**	(7,114)
Profit for the year		**6,323**	51,454
Earnings per share			
– basic	8	**HK0.4 cent**	HK3.0 cents
– diluted	8	**HK0.4 cent**	HK3.0 cents
Dividend	9	**–**	9,728

Consolidated Balance Sheet
As at 31st December, 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Non-current assets			
Intangible assets		**12,139**	17,123
Leasehold land		**23,735**	24,307
Fixed assets		**49,222**	63,261
Deferred tax assets		**9,203**	5,589
Available-for-sale financial asset		**65,000**	–
		159,299	110,280
Current assets			
Inventories		**376,982**	424,261
Financial assets at fair value through profit or loss		**627**	687
Trade receivable	10	**1,136,240**	974,649
Other receivables and prepayments		**111,495**	121,163
Tax recoverable		**6,712**	1,940
Bank balances and cash			
– pledged		**387,692**	387,354
– not pledged		**304,850**	157,383
		2,324,598	2,067,437
Current liabilities			
Trade payable	11	**701,466**	422,952
Bills payable		**245,137**	209,049
Other payables and accrued charges		**107,259**	145,441
Derivative financial instruments		**3,147**	1,649
Current portion of long-term liabilities		**897**	4,131
Taxation payable		**15,841**	16,677
Bank loans and overdrafts			
– secured		**532,867**	548,534
– unsecured		**8,891**	10,498
		1,615,505	1,358,931
Net current assets		**709,093**	708,506
Total assets less current liabilities		**868,392**	818,786
Capital and reserves attributable to the Company's equity holders			
Share capital		**194,570**	194,570
Reserves	12	**622,714**	608,339
Proposed final dividend	12	**–**	9,728
		817,284	812,637
Minority interests		**355**	376
Total equity		**817,639**	813,013
Non-current liabilities			
Long-term liabilities		**49,777**	5,350
Deferred tax liabilities		**976**	423
		868,392	818,786

NOTES:

1. Basis of preparation and changes in accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivative financial instruments and available-for-sale financial asset, which are carried at fair value.

(b) Changes in accounting policies

In 2005, the Group adopted the new/revised standards and interpretation of HKFRSs below, which are relevant to its operations. The 2004 comparatives have been restated or re-classified as required, in accordance with the relevant requirements.

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 the 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: Disclosures 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
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 4	Insurance Contracts

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HKAS Int 15, and HKFRSs 2 and 4 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33, 37, HKAS Int 15 and HKFRSs 2 and 4 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

(i) *HKAS 17 Leases*

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land was previously included in leasehold properties which were 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 building is changed and buildings are now stated at cost less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

(ii) *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 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.

(iii) 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 assets/liabilities are carried at either amortised cost or fair value, depending on their classification. Movements in fair value are 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.

(iv) The following table sets out the effect of adopting the new/revised HKFRSs on the consolidated accounts.

(1) Effect on the consolidated profit and loss account for the year ended 31st December, 2005 and 2004:

	Effect of adopting			
Year ended 31st December, 2005	**HKAS 17**	**HKASs 32/39**	**HKFRS 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease in depreciation and amortisation	31	–	3,877	3,908
Increase in other operating expenses	–	(3,147)	–	(3,147)
Increase/(decrease) in profit for the year	31	(3,147)	3,877	761
Increase/(decrease) in basic earnings per share ("EPS")	HK0 cent	HK(0.2) cent	HK0.2 cent	HK0 cent

	Effect of adopting			
Year ended 31st December, 2004	HKAS 17	HKASs 32/39	HKFRS 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease in depreciation and amortisation	31	–	–	31
Decrease in revaluation surplus on properties	(4,566)	–	–	(4,566)
Decrease in taxation	31	–	–	31
Decrease in profit for the year	(4,504)	–	–	(4,504)
Decrease in basic EPS	HK(0.2) cent	–	–	HK(0.2) cent

(2) Effect on the consolidated balance sheet as at 31st December, 2005 and 2004:

As at 31st December, 2005	**Effect of adopting**			
	HKAS 17	**HKASs 32/39**	**HKFRS 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Increase/(decrease) in:				
Assets				
Intangible assets	–	–	3,877	3,877
Available-for-sale financial asset	–	1,991	–	1,991
Fixed assets	(33,769)	–	–	(33,769)
Leasehold land	24,338	–	–	24,338
Deferred tax assets	1,370	–	–	1,370
Liabilities				
Deferred tax liabilities	(894)	–	–	(894)
Derivative financial instruments	–	3,147	–	3,147
	(7,167)	(1,156)	3,877	(4,446)
Equity				
Properties revaluation reserve	(12,531)	–	–	(12,531)
Revaluation reserve for available-for-sale financial asset	–	1,991	–	1,991
Capital reserve	–	–	(162)	(162)
Retained earnings	5,364	(3,147)	4,039	6,256
	(7,167)	(1,156)	3,877	(4,446)

As at 31st December, 2004	Effect of adopting			
	HKAS 17	HKASs 32/39	HKFRS 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Increase/(decrease) in:				
Assets				
Fixed assets	(33,769)	–	–	(33,769)
Leasehold land	24,307	–	–	24,307
Deferred tax assets	1,370	–	–	1,370
Liabilities				
Deferred tax liabilities	(894)	–	–	(894)
	(7,198)	–	–	(7,198)
Equity				
Properties revaluation reserve	(12,531)	–	–	(12,531)
Retained earnings	5,333	–	–	5,333
	(7,198)	–	–	(7,198)

2. Turnover, income, 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 sales 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:

	2005	2004
	HK$'000	HK$'000
Turnover		
Revenue from sales of mobile phones and accessories, net	**6,642,335**	6,082,062
Revenue from provision of telecommunication services using VoIP technology, net	**76,085**	101,069
	6,718,420	6,183,131
Other income/revenues		
Interest income	**9,095**	5,106
Rental income	**3,449**	917
Repair service income, net	**6,220**	4,902
Other income	**217**	–
	18,981	10,925
Total revenues	**6,737,401**	6,194,056

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 retailing of mobile phones and accessories, provision of repair services for mobile phones and holding of properties, all of which are of insufficient size to be reported separately.

The analysis of the Group's segment information for the year ended 31st December, 2005 by business segment is as follows:

	Sales of mobile phones and accessories		**Revenue from provision of telecommunication services using VoIP technology**		**Consolidated**	
		Restated		Restated		Restated
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**6,642,335**	6,082,062	**76,085**	101,069	**6,718,420**	6,183,131
Segment results	**95,428**	158,743	**(4,422)**	(17,146)	**91,006**	141,597
Interest income					**9,095**	5,106
Unallocated income and expenses, net					**(18,978)**	(22,355)
Operating profit					**81,123**	124,348
Finance costs					**(45,368)**	(32,796)
Profit before taxation					**35,755**	91,552
Taxation					**(29,432)**	(40,098)
Profit for the year					**6,323**	51,454

	Sales of mobile phones and accessories		Revenue from provision of telecommunication services using VoIP technology		Consolidated	
	2005	Restated 2004	**2005**	Restated 2004	**2005**	Restated 2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,270,614**	1,965,972	**16,856**	40,848	**2,287,470**	2,006,820
Unallocated corporate assets					**196,427**	170,897
Consolidated total assets					**2,483,897**	2,177,717
Segment liabilities	**(1,601,625)**	(1,310,958)	**(13,748)**	(29,253)	**(1,615,373)**	(1,340,211)
Unallocated corporate liabilities					**(50,885)**	(24,493)
Consolidated total liabilities					**(1,666,258)**	(1,364,704)
Capital expenditure	**6,844**	8,247	**588**	512	**7,432**	8,759
Depreciation and amortisation	**12,652**	16,025	**3,496**	3,581	**16,148**	19,606
Impairment of trade receivable	**36,571**	4,983	**256**	2,578	**36,827**	7,561
Impairment of inventories	**38,584**	41,855	**–**	–	**38,584**	41,855
Impairment of fixed assets	**–**	–	**–**	625	**–**	625

Secondary reporting format – geographical segments

	Turnover 2005 HK$'000	**Total assets 2005 HK$'000**	**Capital expenditure 2005 HK$'000**
Hong Kong	**5,466,171**	**1,326,234**	**3,088**
Malaysia	**715,675**	**722,266**	**1,174**
The Philippines	**82,986**	**55,869**	**194**
Mainland China	**172,776**	**106,907**	**–**
Taiwan	**66,435**	**25,309**	**1,027**
Other countries	**214,377**	**50,885**	**1,949**
	6,718,420	**2,287,470**	**7,432**
Unallocated assets		**196,427**	
Total assets/capital expenditure		**2,483,897**	**7,432**

	Turnover 2004 HK$'000	Restated Total assets 2004 HK$'000	Capital expenditure 2004 HK$'000
Hong Kong	4,655,582	1,221,135	1,337
Malaysia	985,236	504,650	4,212
The Philippines	105,903	47,377	166
Mainland China	89,783	78,314	–
Taiwan	66,994	66,314	63
Other countries	279,633	89,030	2,981
	6,183,131	2,006,820	8,759
Unallocated assets		170,897	
Total assets/capital expenditure		2,177,717	8,759

3. Cost of sales

	2005 HK$'000	2004 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**6,216,672**	5,650,853
Other direct costs	**114,085**	124,163
Provision for impairment of inventories	**38,584**	41,855
	6,369,341	5,816,871

4. Other operating income/expenses

Other operating income/expenses mainly comprised gain on disposal of subsidiaries, provision for cessation of operations, loss on disposal of fixed assets, amortisation of intangible assets, loss on derivative financial instruments at fair value and exchange differences for the year ended 31st December, 2005.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	2005	Restated 2004
	HK$'000	HK$'000
Crediting		
Gain on disposal/dissolution of subsidiaries #	**3,673**	2,941
Unrealised gain on financial assets at fair value through profit or loss #	**12**	39
Charging		
Amortisation of intangible assets #	**3,089**	6,952
Amortisation of leasehold land	**572**	573
Auditors' remuneration		
– current year	**2,476**	3,308
– (over)/under provision in prior years	**(2)**	398
Depreciation		
– owned fixed assets	**11,149**	10,950
– leased fixed assets	**1,338**	1,131
Impairment of fixed assets	**–**	625
Loss on derivative financial instruments at fair value #	**4,796**	7,608
Loss on disposal of fixed assets #	**1,171**	138
Operating leases		
– land and buildings	**18,450**	11,718
– office equipment	**430**	209
Pre-operating costs	**62**	218
Provision for impairment of trade receivable	**36,827**	7,561
Provision for cessation of operations #	**10,571**	–
Staff costs (including Directors' remuneration and retirement benefit costs)	**102,907**	104,861

\# These are included in other operating income/expenses.

6. Finance costs

	2005 **HK$'000**	2004 HK$'000
Interest expenses on:		
– bank loans and overdrafts	**33,074**	20,769
– finance leases	**171**	195
Bank and other charges	**12,123**	11,832
	45,368	32,796

7. Taxation

	2005 **HK$'000**	Restated 2004 HK$'000
Company and subsidiaries		
Hong Kong profits tax (note (i))	**13,385**	14,142
Overseas taxation (note (ii))	**21,495**	26,765
(Over)/under provision of taxation in prior years	**(2,505)**	1,169
Deferred taxation	**(2,943)**	(1,978)
	29,432	40,098

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 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. Earnings per share

Basic earnings per share for the year is calculated based on the profit attributable to equity holders of the Company of HK$8,498,000 (restated 2004: HK$58,568,000) and on the weighted average of 1,945,696,565 (2004: 1,945,696,565) shares in issue during the year.

The Company has no dilutive potential shares as at 31st December, 2005 (2004: None).

9. Dividend

	2005	2004
	HK$'000	HK$'000
2004 final, paid of HK0.5 cent per share	**–**	9,728

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2005.

10. Trade receivable

The normal credit period granted to the customers of the Group is up to 90 days, except for sales made to certain credit worthy customers to which a slightly longer credit period may be granted.

At 31st December, 2005, the ageing analysis of the trade receivable was as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
1-30 days	**529,019**	397,924
31-60 days	**375,436**	305,607
61-90 days	**167,709**	221,209
91-120 days	**11,943**	22,062
Over 120 days	**116,246**	57,741
Less: provision for impairment	**(64,113)**	(29,894)
	1,136,240	974,649

11. Trade payable

At 31st December, 2005, the ageing analysis of the trade payable was as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
1-30 days	**260,815**	186,120
31-60 days	**86,159**	130,889
61-90 days	**287,081**	44,849
91-120 days	**6,452**	45,399
Over 120 days	**60,959**	15,695
	701,466	422,952

12. 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) HK$'000	Exchange reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January, 2005, as previously disclosed	127,258	12,531	3,989	162	4,872	(2,271)	–	478,724	625,265
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	–	(12,531)	–	–	–	–	–	5,333	(7,198)
Impact of adoption of HKFRS 3 (note 1(b)(ii))	–	–	–	(162)	–	–	–	162	–
Balance at 1st January, 2005, as restated	127,258	–	3,989	–	4,872	(2,271)	–	484,219	618,067
Exchange differences	–	–	–	–	–	3,898	–	–	3,898
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	8,498	8,498
Release of reserve upon disposal of subsidiaries	–	–	–	–	–	(12)	–	–	(12)
Surplus on revaluation of available-for-sale financial asset	–	–	–	–	–	–	1,991	–	1,991
2004 final dividend	–	–	–	–	–	–	–	(9,728)	(9,728)
Balance at 31st December, 2005	**127,258**	**–**	**3,989**	**–**	**4,872**	**1,615**	**1,991**	**482,989**	**622,714**
Retained by:									
Company and subsidiaries	127,258	–	3,989	–	4,872	1,615	1,991	482,989	622,714
Balance at 1st January, 2004, as previously disclosed	127,258	3,120	3,994	162	4,872	(233)	–	415,652	554,825
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	–	(3,120)	–	–	–	–	–	9,837	6,717
Balance at 1st January, 2004, as restated	127,258	–	3,994	162	4,872	(233)	–	425,489	561,542
Exchange differences	–	–	–	–	–	(1,033)	–	–	(1,033)
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	58,568	58,568
Release of reserves upon dissolution of subsidiaries	–	–	(5)	–	–	(1,005)	–	–	(1,010)
Balance at 31st December, 2004	127,258	–	3,989	162	4,872	(2,271)	–	484,057	618,067
Retained by:									
Company and subsidiaries	127,258	–	3,989	162	4,872	(2,271)	–	484,057	618,067

NOTE:

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures above in respect of this Annual Results Announcement ("Announcement") for the year ended 31st December, 2005 have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

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, 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$52,000,000, representing approximately 12% of the Company's total market capitalisation as at 31st December, 2005. The Trade Receivable 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

The financial year 2005 saw the Group undertake certain strategic, albeit painful, decisions to streamline its business and return the Group to a stronger financial foundation and increase shareholders' return. These included the closure of the Group's operations in India and the closure and divestment of several of the Group's VoIP business units.

The Group's key profit contributors continue to be the business units in Hong Kong, Malaysia and the Philippines with a combined profit after tax of HK$95 million. The Group will continue to focus on its core markets and competencies while streamlining its existing operations and close or divest non-performing business units as deemed necessary to ensure the Group continues to be profitable in the long term.

Turnover for the financial year 2005 amounted to approximately HK$6,718 million, representing an increase of 8.7% over last year's turnover of approximately HK$6,183 million. Total sales volume increased by 21% from 3.7 million units in 2004 to 4.5 million units for the year. Despite intense market competition and continued pressure on prices and margins, the Group successfully maintained a satisfactory average gross profit margin of 5.2% for the year (2004: 5.9%).

Selling and distribution expenses reduced by 34%, from approximately HK$101 million in 2004 to approximately HK$67 million in 2005 due to the reduced number of new product launches during 2005 and tighter cost control.

General and administrative expenses increased by 29% to approximately HK$203 million in 2005. The increase is mainly due to higher expenditure on rental of premises and overheads relating to the Group's retail operations in Hong Kong and Singapore and distribution business in Taiwan.

The Group's results were dampened by a non-recurring loss of HK$14 million resulting from the cessation of the Group's business in India during the year. Further, the closure of the Group's VoIP business units in Hong Kong and United Kingdom cost the Group HK$3.6 million in one-time charge against profits, although this was subsequently mitigated by the disposal of certain non-performing VoIP business units which in turn gave rise to a compensatory gain of HK$3.7 million. Additionally, exchange losses and losses on forward exchange contracts amounted to HK$7 million further depressed the Group's operating profits. All of these are reflected in the increase in net other operating expenses for the year.

Finance costs increased by 38% or HK$12 million to approximately HK$45 million for the year (2004: HK$33 million) as a result of increases in interest rates.

Basic earnings per share for the year ended 31st December, 2005 is HK0.4 cent (restated 2004: HK3.0 cents).

The Group's stock level decreased to approximately HK$377 million (2004: HK$424 million) as a result of improved inventory management. This improvement is further reflected in the decrease in stock turnover days to 26 days (2004: 29 days).

Trade receivable increased from approximately HK$975 million as at 31st December, 2004 to approximately HK$1,136 million as at 31st December, 2005 in line with the increase in turnover. Debtor turnover days was 65 days for the year 2005 (2004: 59 days).

Liquidity and Financial Resources

As at 31st December, 2005, bank and cash balances of the Group were approximately HK$693 million (2004: HK$545 million), of which approximately HK$388 million (2004: HK$387 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK$592 million (2004: HK$569 million), comprising long-term bank loans of approximately HK$49 million (2004: HK$8 million), obligations under finance lease of approximately HK$1 million (2004: HK$2 million), and short-term bank loans and overdrafts of approximately HK$542 million (2004: HK$559 million). The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2005 was 24% (2004: 26%).

Freehold properties and certain leasehold land and buildings of the Group with carrying values of approximately HK$46 million (restated 2004: HK$53 million) are also pledged as security for the Group's general banking facilities.

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 Dollar, United States Dollar, Renminbi, Euro or Malaysian Ringgit. 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, 2005, the Group had approximately HK$61 million (2004: HK$53 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, 2005 and 2004.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31st December, 2005 and 2004.

Employees

As at 31st December, 2005, the Group had 740 (2004: 726) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2005 amounted to approximately HK$103 million (2004: HK$105 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group has share option schemes for Directors and employees, details of which are disclosed herein in the section on "Share Option Schemes".

Business Review

Review of Business Operations

During the year under review, the Group further consolidated its leading market position by acquiring distribution rights to over 40 new models. Currently, the Group distributes approximately 10 brands and over 100 models of mobile phones, including those of Motorola and Samsung. By leveraging on its core competitiveness, the Group strengthened its mobile phone trading and distribution operations in key markets such as Hong Kong, Malaysia and the Philippines. The Group continued to propel the growth of its top-line revenue and sales volume increased from 3.7 million in 2004 to 4.5 million in 2005, representing a rise of approximately 21%.

During the year 2005, the Group continued its strategic plan to streamline its businesses, which saw further cessation and disposal of non-performing and non-profitable business units. During the year under review, the Group:

(a) withdrew its mobile phone distribution business from India due to the difficult business environment for the upcoming brands that the Group represented in that country; and

(b) ceased and disposed several of its non-performing VoIP business units. This included the cessation of operations in France, the United Kingdom and Hong Kong, and the subsequent divestment of these business units along with that of Canada and the United States.

These painful yet necessary steps were required to generate greater returns to the Company's shareholders and put the Group on a firmer financial foundation to move forward.

On the retail front, the Group continues to rollout its retail operations in Hong Kong to augment its already established retail presence in Malaysia. The Group started its retail business in Hong Kong, under the Group's Mobile City branding, in March 2005 with the aim of providing customers with a one-stop-shop experience. Mobile City focuses on selling 3G phones and subscription plans from major 3G operators. It also carries 2.5G models as well as mobile phone accessories, such as memory cards, card readers, batteries, Bluetooth-enabled accessories and hands-free headsets. To date, the Group operates 7 retail stores located in prime areas with high traffic flow, such as Mongkok, Sham Shui Po and Shatin in addition to the various outlets under a franchisee scheme. Mobile City prides itself on its superior and professional pre and post-sales customer-centric service.

Business by Geographical Coverage

Mobile Phone Business

HONG KONG

Despite the saturated new subscriber market, replacement market continued to demonstrate an impressive performance during the year. In addition to lowered unemployment rate, inflated economy brought forth by the implementation of CEPA, together with increasing number of individual tourists from the PRC, helped to boost and expedite consumer spending. The Group expects sales volume of mobile phones will continue to grow in the coming years.

During the year under review, the Group successfully launched approximately 15 new mobile phone models of Korean brands. All the models are incorporated with popular features such as Mega-pixel camera, memory card slot, MPEG4 and MP3 player. To support the sales initiative, the Group introduced a series of marketing and promotion activities such as advertising, product roadshows and sales promotions. The sales of newly launched models received encouraging market response and recorded overwhelming sales performance. Models supporting 3G technology demonstrated a strong demand in the marketplace, triggering keen market competition. Amidst such challenging market conditions, the Group is dedicated to proactively explore new business opportunities in 3G technology.

The Group started its retail business under the brand name of Mobile City to sell mobile phones as well as 3G and 2G subscription plans in Hong Kong since March 2005. So far, it has opened 7 shops in addition to the various outlets under a franchisee scheme. Mobile City is the authorised dealer of two of the largest local operators 3-HK and CSL. To promote sales of mobile phones and subscription plans, Mobile City organised sales promotions and joint promotions with operators and manufacturers. It even constructed marketing tools, including a website and a monthly magazine to facilitate better communication with consumers.

MALAYSIA

With a population of approximately 25 million, Malaysia is an enormous market for mobile phones with immense development potential. In 2005, the number of new mobile phone subscribers increased by approximately 28% to approximately 16 million with a penetration rate of approximately 65%, while in 2004, the penetration rate was only approximately 54% (source: Samsung Malaysia, December 2005).

Samsung is the second largest mobile phone brand in Malaysia with a market share of 22% (source: GfK report, December 2005). During the year under review, the Group's subsidiary in Malaysia attained significant development progress and successfully acquired the distribution rights of 19 new models of Samsung mobile phones, namely SGH-C200C, X480C, E330C, E630C, E810C, P730C, I700C, D500C, E720C, C230, X620, E530, E730, E640, Z500, X700, Z140, X660 and X150.

The subsidiary continued to expand the coverage of Mobile City retail shops by establishing an additional retail shop at The Curve, Damansara Mutiara. These retail shops serve as a main window offering retail sales and full-fledged customer services. Meanwhile, they also help enhance the Group's overall image of a comprehensive distributor in the retail arena.

THE PHILIPPINES

For the year under review, the total number of mobile phone subscribers was approximately 27 million, representing an increase of approximately 17% when compared to the same period last year. In view of the low mobile penetration rate of 15%, the Group believes that there is ample room for growth.

During the year under review, the Group was the exclusive distributor of Samsung mobile phones in the Philippines. Samsung has the second largest local market share of approximately 18%. The Group acquired distribution rights of 20 new Samsung models, namely SGH-I700, D500, E610, X480, X610, E720, X640, C210, C230, E730, E640, E530, X620, D600, E350, E630 (red), E760, X150, X660 and P730.

While consolidating its business foundation, the Group endeavours to provide more comprehensive and quality services to its customers. During the year under review, the Group opened 2 service centres in Iloilo Island, Central Philippines and North Edsa, and established an interactive Samsung Academy Dealer Workshop in the northern city of Laoag, for developing and building team spirit with its top dealers nationwide.

VoIP Business

Amidst the backdrop of fierce market competition, the Group carried out a restructuring in its VoIP business and discontinued operations in non-profitable areas while formulating strategy to revamp the Group's VoIP business. Upon thorough reassessment and meticulous consideration of the future prospects, the Group introduced a series of corrective measures which included ceasing its VoIP business in the United Kingdom and Hong Kong, after the earlier closure of operations in France, in view of the continued losses suffered by the Group in these markets. The Group disposed of these along with the loss-making business units in Canada and the United States, and recorded a gain of HK$3.7 million in the process. Meanwhile, the Group continues to operate its VoIP business in its stronghold markets in Australia and New Zealand.

Plans and Strategies for 2006

Backed by the encouraging revival of the economic health, the mobile phone industry remains robust and global demand for quality products is expected to continue its strong growth trend in 2006 and years beyond. The Group expects the mobile phone industry will again experience significant growth in 2006.

The total number of mobile subscribers worldwide at the end of 2005 grew to approximately 2 billion, demonstrating an increase of 384 million new subscribers when compared with that at the beginning of the year. This figure is expected to increase to approximately 4 billion by the end of 2011 (source: Worldwide Mobile Market Forecasts 2006-2011, January 2006). In the face of strong market demand and immense market potential, the Group will exert tremendous effort to sustain its unrivalled market position. The Group is dedicated to achieve greater heights and further success while propelling new products and services into the market.

According to the announcements made by major global vendors and data from Informa Telecoms & Media's WCIS www.wcisdata.com, the number of dual-mode cellular/Wi-Fi handset models in the market is set to reach between 25 and 30 in 2006 (source: EMC World Cellular, January 2006). Facing the increasing popularity of 3G technology, the Group will consolidate its solid foothold in dual-mode mobile phone market while further exploring new business opportunities, with the view of riding on the growing trend for such state-of-the-art communication technology and strengthening the Group's presence in the realm of trading and distributing 3G mobile phones.

The Group will continue to extend its business reach and expand its service scope by developing new retail business. It fully embraces the importance of offering quality one-stop service to operators, dealers, manufacturers and end consumers and is committed to providing all-rounded services, including customer service and after-sales service to end consumers. In order to satisfy the ever-changing consumer tastes and new technological advancements, the Group will continue to seek after quality and upcoming brands to ameliorate its product portfolio.

Capitalising on the winning strategy of focusing on upcoming and mid to high-end mobile phones, strong market presence, effective cost control and outstanding capabilities, the Group is confident of staying abreast of market changes by introducing new and innovative products and enhancing product portfolio while strengthening business profitability.

With the strategic measures introduced during the year, the Group successfully achieved a turnaround and remained highly positive towards the business performance in 2006. The Group is well poised to reinforce its leading market position to reap fruitful returns for its principals, customers and shareholders as well as sustain its unrivalled status as a regional distributor of mobile phones and related accessories in the Asia Pacific region.

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, 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 70,742,875 Shares in the Company lapsed during the year ended 31st December, 2005 of which 69,645,625 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 1,097,250 Shares lapsed due to the resignation of employees. As at 31st December, 2005, there are options remaining to subscribe for an aggregate of 27,630,750 Shares, representing 1.4% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 26,425,000 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 700,000 Shares granted to 3 senior management staff and options to subscribe for an aggregate of 505,750 Shares granted to 25 employees.

During the year ended 31st December, 2005 and up to the date of this Announcement, no options had been exercised or cancelled.

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, 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%

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

	Number of underlying shares under the Pre-Listing Share Option Plan					
	Outstanding at 1st January, 2005		Lapsed during the year		Outstanding at 31st December, 2005	
Name of Director	Personal interests	Family interests (note)	Personal interests	Family interests	Personal interests	Family interests
Mr. Ng Kok Hong	33,075,000	–	(23,625,000)	–	9,450,000	–
Mr. Ng Kok Tai	29,400,000	612,500	(21,000,000)	(437,500)	8,400,000	175,000
Mr. Ng Kok Yang	30,012,500	–	(21,437,500)	–	8,575,000	–

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, 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 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, 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 year ended 31st December, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

SECURITIES TRANSACTION BY DIRECTORS

The Company has, on 14th May, 2004, adopted a code of conduct (the "Code of Conduct") governing securities transactions by its Directors modelled on terms no less exacting than the required standard as set out in rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry, all Directors confirmed compliance with the Code of Conduct throughout the year ended 31st December, 2005.

AUDIT COMMITTEE

The Company established an Audit Committee on 15th December, 2000. The Audit Committee comprises all three independent non-executive Directors, namely Mr. See Tak Wah as Chairman, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick.

The terms of reference of the Audit Committee was revised on 12th August, 2005 in line with the new requirements of the GEM Listing Rules. The primary duties of the Audit Committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the external auditors.

The Audit Committee has reviewed the results for the year ended 31st December, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and strives to continually improve on its governance processes as articulated in the new Code on Corporate Governance Practices (the "CG Code") as set out by the Exchange.

As at the date of this announcement, the Company has taken the following action in compliance with the CG Code:

Under the CG Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A resolution will be proposed at the forthcoming annual general meeting scheduled on 26th April, 2006 to amend the Company's Articles of Association to be in line with this provision.

Under the CG Code provision A.5.4, the Board should establish written guidelines on terms no less exacting than the required standard of dealing as set out in rules 5.48 to 5.67 of the GEM Listing Rules for relevant employees in respect of their dealings in shares of the Company. Such guidelines have been established and effective from 19th January, 2006, relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are subject to such compliance.

Under the CG Code provision B.1.1, a listed issuer should establish a remuneration committee with specific written terms of reference. The Board established a Remuneration Committee on 9th March, 2006 comprising all three independent non-executive Directors and chaired by Mr. Wong Tin Sang Patrick. The terms of reference of the Remuneration Committee was formulated in accordance with the requirements of the CG Code.

Under the CG Code recommended best practice A.4.4, a listed issuer should establish a nomination committee with specific written terms of reference. The Board established a Nomination Committee on 9th March, 2006 comprising all three independent non-executive Directors and chaired by Mr. Wu Wai Chung Michael. The terms of reference of the Nomination Committee was formulated in accordance with the requirements of the CG Code.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 21st March, 2006

Executive Directors:
Ng Kok Hong *(Executive Chairman)*
Ng Kok Tai *(Executive Deputy Chairman)*
Ng Kok Yang

Independent Non-executive Directors:
See Tak Wah
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.