



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31ST MARCH, 2006**

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

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

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

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 (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 three months ended 31st March, 2006, First Mobile Group Holdings Limited (the “Company”) and its subsidiaries recorded satisfactory results despite a competitive environment. Highlights of the three months’ performance are as follows:

- Turnover was approximately HK\$2,049 million, representing an increase of 33% over the same period of 2005
- Gross profit was approximately HK\$72 million, representing an increase of 19% over the same period of 2005
- Profit attributable to equity holders of the Company was approximately HK\$3.6 million, representing an increase of 114% over the same period of 2005
- Earnings per share was HK0.2 cent
- Number of mobile phones sold was approximately 1.6 million units

RESULTS

The Directors of First Mobile Group Holdings Limited (the “Company”) announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March, 2006 (the “Period”) together with the unaudited comparative figures:

Unaudited Consolidated Profit and Loss Account

For the three months ended 31st March, 2006

	Note	Three months ended 31st March,	
		2006 HK\$'000	(restated) 2005 HK\$'000
Turnover	2	2,048,533	1,538,621
Cost of sales		(1,976,389)	(1,477,956)
Gross profit		72,144	60,665
Other income/revenues	2	4,237	5,377
Selling and distribution expenses		(15,006)	(19,250)
General and administrative expenses		(42,012)	(51,373)
Other operating income	3	2,600	323
Other operating expenses	3	(1,170)	(14,185)
Operating profit/(loss)		20,793	(18,443)
Finance costs		(13,817)	(8,276)
Profit/(loss) before taxation		6,976	(26,719)
Taxation	4	(3,654)	(1,195)
Profit/(loss) for the period		3,322	(27,914)
Attributable to:			
Equity holders of the Company		3,643	(25,781)
Minority interests		(321)	(2,133)
Profit/(loss) for the period		3,322	(27,914)
Earnings/(loss) per share	5		
– basic		HK0.2 cent	HK(1.33) cents
– diluted		HK0.2 cent	HK(1.33) cents
Dividend	6	–	–

Notes:

1. Basis of preparation and accounting policies

The consolidated profit and loss account is extracted from the unaudited consolidated accounts of the Company which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset, financial assets at fair value through profit or loss and derivative financial instruments.

The accounting policies used in the accounts are consistent with those used in the annual report for the year ended 31st December, 2005 except for the adoption of some new and revised standards stated below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by HKICPA (collectively “HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2006. The Group has adopted all HKFRSs which are pertinent to its operations in the accounts for the year ending 31st December, 2006. The applicable HKFRSs are set out below:

HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS Int 4	Determining whether an Arrangement contains a Lease

All new and revised standards adopted by the Group require retrospective application other than those specifically allowed under the transitional provisions in the relevant standards.

(a) *HKAS 39 (Amendment) The Fair Value Option*

This amendment changes the definition of financial instruments classified as fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. This amendment does not have any financial impact as the Group’s accounting policies already comply with the amendment.

(b) *HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee Contracts*

This amendment regulates issued financial guarantees, other than those previously asserted by the entity to be insurance contracts to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and referred and (ii) the expenditure required to settle the commitment at the balance sheet date. This amendment does not have any financial impact to the Group’s financial results.

(c) *HKFRS Int 4 Determining whether an Arrangement contains a Lease*

HKFRS Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the “asset”); and (ii) the arrangement conveys a right to use the asset. This interpretation does not have any financial impact to the Group’s financial results.

2. Turnover, income and revenue

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

Turnover represents invoiced value of sale of mobile phones and accessories, and airtime using VoIP technology to customers, net of returns, discounts allowed, value-added tax or sales tax where applicable. Revenues recognised during the Period are as follows:

	Three months ended	
	31st March,	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Revenue from sale of mobile phones and accessories, net	2,038,396	1,511,843
Revenue from provision of telecommunication services using VoIP technology, net	10,137	26,778
	<u>2,048,533</u>	<u>1,538,621</u>
Other income/revenues		
Interest income	2,921	1,657
Rental income	1,075	267
Repair service income, net	241	3,453
	<u>4,237</u>	<u>5,377</u>
Total revenues	<u>2,052,770</u>	<u>1,543,998</u>

3. Other operating income/expenses

Other operating income/expenses mainly comprised loss on disposal of fixed assets, amortisation of intangible assets and exchange differences for the three months ended 31st March, 2006.

4. Taxation

	Three months ended	
	31st March,	
	2006	2005
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax (<i>note (i)</i>)	1,782	104
Overseas taxation (<i>note (ii)</i>)	1,872	1,968
Deferred taxation	–	(877)
	<u>3,654</u>	<u>1,195</u>

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the Period.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the Period at the rates of taxation prevailing in the countries in which the Group operates.

5. Earnings per share

Basic earnings per share for the Period is calculated based on the profit attributable to equity holders of the Company of HK\$3,643,000 (2005: loss of HK\$25,781,000) and on the weighted average of 1,945,696,565 (2005: 1,945,696,565) shares in issue during the Period.

The Company has no dilutive potential shares as at 31st March, 2006 (2005: None).

6. Dividend

The Directors do not recommend the payment of an interim dividend for the Period (2005: Nil).

7. Movement in reserves

Movements in the reserves of the Group during the three months ended 31st March, 2006 and 2005 are set out below:

	Attributable to equity holders of the Company							
	Share premium HK\$'000	Merger 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	Minority interest HK\$'000	Total HK\$'000
Balance at 1st January, 2006	127,258	3,989	4,872	1,615	1,991	482,989	355	623,069
Exchange differences	-	-	-	6,231	-	-	35	6,266
Profit attributable to equity holders of the Company	-	-	-	-	-	3,643	-	3,643
Minority's share of loss for the Period	-	-	-	-	-	-	(321)	(321)
Balance at 31st March, 2006	127,258	3,989	4,872	7,846	1,991	486,632	69	632,657
Retained by:								
Company and subsidiaries	127,258	3,989	4,872	7,846	1,991	486,632	69	632,657
Balance at 1st January, 2005	127,258	3,989	4,872	(2,271)	-	484,219	376	618,443
Exchange differences	-	-	-	(130)	-	-	-	(130)
Loss attributable to equity holders of the Company	-	-	-	-	-	(25,781)	-	(25,781)
Minority's share of loss for the period	-	-	-	-	-	-	(2,133)	(2,133)
Contribution from a minority shareholder	-	-	-	-	-	-	742	742
Balance at 31st March, 2005	127,258	3,989	4,872	(2,401)	-	458,438	(1,015)	591,141
Retained by:								
Company and subsidiaries	127,258	3,989	4,872	(2,401)	-	458,438	(1,015)	591,141

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 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.

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the trading and distribution of mobile phones and related accessories from various international brands in the Asia Pacific region. It offers complete value-added solutions to manufacturers, operators, dealers and end users, from pre-sales to distribution, marketing and after-sales of products.

Mobile Phone Distribution

For the first three months of 2006, the Group maintained its leading position in the region and recorded satisfactory results. During the period, the Group distributed approximately 10 brands and over 100 models and sold approximately 1.6 million units of mobile phones.

During the first quarter of 2006, the Malaysian subsidiary enriched the Group's product portfolio by acquiring distribution rights of 8 new models, namely Samsung SGH-D820, X300, P850, I300, D510, X670, E770 and D720.

During the period under review, the Group's Philippines subsidiary acquired exclusive distribution rights of 10 new Samsung models, namely SGH-X700, E360, D510, E770, I300, D720, D820, P300, X300 and X670. Samsung continues to be the second largest mobile phone brand in the country, with a market share of approximately 18%, representing a slight increase over the same period of 2005. The Group continues to enjoy a strong relationship with Samsung.

In Hong Kong, the Group's retail business recorded satisfactory results during the period under review and the brand name Mobile City has grown in popularity among consumers due mainly to the appropriate strategies adopted by management and the contributions of the hardworking and dedicated staff. Mobile City ran various joint promotions with Nokia, Motorola, Sony Ericsson and other international brands in order to promote sales. In March and April 2006, television channels ATV Home of Asia Television Limited and East.TV of East Asia Satellite Television interviewed Mobile City's management and sales team for the professional and quality service Mobile City provides. This has helped build Mobile City's brand image.

In early April 2006, the Group participated in CTIA Wireless 2006, the wireless industry's largest international trade show, held in Las Vegas in the United States, to much success and brought about tremendous business opportunities.

Financial Review

During the period under review, turnover amounted to approximately HK\$2,049 million, representing a significant increase of 33% over the corresponding period in 2005. Gross profit increased by approximately HK\$11 million although gross profit margin decreased from 3.9% to 3.5% in quarterly comparison in a competitive market during the quarter under review.

Despite the competitive market, the Group managed to increase its sales volume to 1.6 million units during the period under review, representing a 62% increase compared to the corresponding period in 2005.

Selling and distribution expenses decreased by 22% to approximately HK\$15 million for the first quarter of 2006 from HK\$19 million in the corresponding quarter. In addition, general and administrative expenses decreased by 18% from approximately HK\$51 million for the three months ended 31st March, 2005 to approximately HK\$42 million for the period under review. These decreases are mainly attributable to cost savings arising from the closure of the Group's operations in India and certain Voice-over-IP business units in the first quarter of 2005.

The finance costs increased substantially from approximately HK\$8 million in the first quarter of 2005 to approximately HK\$14 million in the period under review due mainly to the increases in interest rates.

FUTURE PLANS AND PROSPECTS

Mobile Phone Distribution

Spurred by the success at CTIA Wireless 2006 in the United States, the Group is preparing for another exhibition in SVIAZ/EXPO COMM MOSCOW 2006, a large-scale international telecom exhibition, in Moscow, Russia to be held in May 2006.

In addition, the Group plans to launch several new and exciting full-featured models in the near future to add to its ever-growing portfolio.

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely pre-listing share option plan (the "Pre-Listing Share Option Plan") and share option scheme (the "2000 Share Option Scheme"), were approved and adopted. The summary of the terms of the two share option schemes had been set out in Appendix V of the Company's prospectus in connection with placing of the Company's shares dated 20th December, 2000.

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

(a) 2003 Share Option Scheme

Under the 2003 Share Option Scheme, the board of Directors (the "Board") or a duly authorised committee thereof which shall include the independent non-executive Directors (the "Committee") may, at its discretion, invite any participant (as defined in the 2003 Share Option Scheme), including any employee and any director of any company in the Group, to take up options at HK\$1.00 per option to subscribe for shares in the Company (the "Shares") at the higher of (i) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. The total number of Shares which may be issued upon exercise of all options under the 2003 Share Option Scheme and the Pre-Listing Share Option Plan must not exceed 10% of the total number of Shares in issue as at the date of approval of the 2003 Share Option Scheme and as refreshed by members in general meeting in accordance with the terms of the 2003 Share Option Scheme.

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

The maximum number of Shares in respect of which options may be granted under the 2003 Share Option Scheme and any other share option schemes of the Company (including the Pre-Listing Share Option Plan) shall not exceed 30% of the total number of Shares in issue from time to time.

As at 31st March, 2006, 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.

Option to subscribe for 5,250 Shares in the Company lapsed during the three months ended 31st March, 2006 due to the resignation of an employee. As at 31st March, 2006, there are options remaining to subscribe for an aggregate of 27,625,500 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 500,500 Shares granted to 24 employees.

No options had been exercised or cancelled during the Period.

Following the adoption of the 2003 Share Option Scheme and the termination of the 2000 Share Option Scheme on 29th April, 2003, the above-mentioned outstanding options granted under the Pre-Listing Share Option Plan shall continue to be subject to the provisions of the Pre-Listing Share Option Plan and will not in any event be affected by the adoption and termination of the schemes.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st March, 2006, 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

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%

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		
	Personal interests	Family interests <i>(note)</i>	Total
Mr. Ng Kok Hong	9,450,000	–	9,450,000
Mr. Ng Kok Tai	8,400,000	175,000	8,575,000
Mr. Ng Kok Yang	8,575,000	–	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 Period.

Save as disclosed above, as at 31st March, 2006, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st March, 2006, other than the interests disclosed in the section headed “Directors’ interests and short positions in shares” above, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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 have confirmed compliance with the Code of Conduct throughout the Period.

AUDIT COMMITTEE

The audit committee was established on 15th December, 2000 and comprises the three independent non-executive Directors:

Mr. See Tak Wah (*Committee Chairman*)

Mr. Wu Wai Chung Michael

Mr. Wong Tin Sang Patrick

The terms of reference of the audit committee was revised on 12th August, 2005 in accordance with the requirements of the Code on Corporate Governance Practices as set out by the Exchange. 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.

During the Period and up to the date of this announcement, the audit committee met twice to review the Company's annual and quarterly reports, and to provide advice and recommendations to the board of Directors.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 12th May, 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.