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, 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.

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, 2006, First Mobile Group Holdings Limited and its subsidiaries recorded encouraging results under a challenging environment. Highlights of the year's performance are as follows:

- The Group achieved a revenue of HK$7,999 million
- Gross profit was HK$390 million
- Profit attributable to equity holders of the Company was HK$41 million
- Basic earnings per share was HK2.64 cents
- Sold 5.5 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, 2006 together with the comparative figures for the year ended 31st December, 2005:

Consolidated Profit and Loss Account

For the year ended 31st December, 2006

	Note	**2006** HK$'000	Restated 2005 HK$'000
Continuing operations			
Revenues	2	**7,998,793**	6,652,004
Cost of sales	3	**(7,608,334)**	(6,313,903)
Gross profit		**390,459**	338,101
Selling and distribution expenses		**(53,957)**	(60,503)
General and administrative expenses		**(188,199)**	(184,313)
Other income	4	**6,697**	2,794
Other expenses	4	**(10,089)**	(22,301)
Operating profit	5	**144,911**	73,778
Finance income	6	**13,429**	9,063
Finance costs	6	**(68,267)**	(44,751)
Profit before taxation		**90,073**	38,090
Taxation	7	**(38,727)**	(31,651)
Profit from continuing operations		**51,346**	6,439
Discontinued operation			
Loss from discontinued operation	8	**(10,935)**	(116)
Profit for the year		**40,411**	6,323
Attributable to:			
Equity holders of the Company		**40,715**	8,498
Minority interests		**(304)**	(2,175)
		40,411	6,323
Basic and diluted earnings/(loss) per share	9		
– from continuing operations		**HK2.64 cents**	HK0.37 cent
– from discontinued operation		**(HK0.55 cent)**	HK0.06 cent

Consolidated Balance Sheet

As at 31st December, 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Intangible assets		**1,381**	12,139
Investment property		**8,814**	–
Leasehold land		**23,162**	23,735
Fixed assets		**37,638**	49,222
Deferred tax assets		**13,211**	9,203
Available-for-sale financial asset		**–**	65,000
		84,206	159,299
Current assets			
Inventories		**566,017**	376,982
Financial assets at fair value through profit or loss		**729**	627
Trade receivable	11	**1,356,600**	1,136,240
Other receivables and prepayments		**188,194**	111,495
Tax recoverable		**9,094**	6,712
Derivative financial instruments		**483**	–
Bank balances and cash			
– pledged		**402,253**	387,692
– not pledged		**130,145**	304,850
		2,653,515	2,324,598
Current liabilities			
Trade payable	12	**882,006**	701,466
Bills payable		**379,269**	245,137
Other payables and accrued charges		**98,371**	107,259
Derivative financial instruments		**–**	3,147
Current portion of long-term liabilities		**25,235**	897
Taxation payable		**17,197**	15,841
Bank loans and overdrafts			
– secured		**428,256**	532,867
– unsecured		**7,956**	8,891
		1,838,290	1,615,505
Net current assets		**815,225**	709,093
Total assets less current liabilities		**899,431**	868,392
Capital and reserves attributable to the Company's equity holders			
Share capital		**194,570**	194,570
Reserves	13	**680,376**	622,714
		874,946	817,284
Minority interests		**12**	355
Total equity		**874,958**	817,639
Non-current liabilities			
Long-term liabilities		**22,684**	49,777
Deferred tax liabilities		**1,789**	976
		899,431	868,392

Notes:

1. Basis of preparation and amendments to published standards

The significant 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 and derivative financial instruments.

(b) Amendments to published standards

In 2006, the Group adopted the new/revised standards and interpretation of HKFRSs below, which are relevant to its operations. 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.

(i) 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.

(ii) HKAS 39 and HKFRS 4 (Amendment) Financial Guarantee Contracts
In previous years, financial guarantees issued by the Company to banks in relation to borrowings by subsidiaries are accounted for as contingent liabilities of the Company and are not recognised in the financial statements until an obligation is imposed on the Company to make payment under the guarantee.

This amendment regulates issued financial guarantees, other than those previously assorted 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.

The financial effect on the Company's balance sheet as a result of adoption of the amendment is summarised as below:

	Company	
	2006	2005
	HK$'000	HK$'000
Increase in investment in subsidiaries	**8,457**	6,445
Increase in financial liabilities	**(2,012)**	(2,441)
	6,445	4,004
Increase in retained earnings:		
– At 1st January	**4,004**	–
– Profit and loss account for the year	**2,441**	4,004
	6,445	4,004

This amendment did not have any financial impact to the Group's financial results.

(iii) *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.

(iv) *Interpretation to published standards that are not yet effective*
Certain new interpretations to existing standards have been published that are relevant to and mandatory for the Group's accounting periods beginning on or after 1st November, 2006 or later periods but which the Group has not early adopted, as follows:

(1) IFRIC/HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November, 2006)

IFRIC/HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC/HK(IFRIC)-Int 10 from 1st January, 2007, but it is not expected to have any impact on the Group's accounts.

(2) HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1st January, 2007)

HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRSs. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from financial year beginning 1st January, 2007.

2. Revenue, income and segment information

The Group is principally engaged in the trading, distribution and retail sales of mobile phones and accessories.

Following the Group's disposal of its 70% equity interest in Chi Tel Investments Limited, which provides inter-city/international telecommunication services using VoIP technology ("VoIP business") on 3rd July, 2006, the VoIP business is reported as discontinued operation in the consolidated accounts for the year ended 31st December, 2006, and accordingly relevant comparative figures were restated.

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

	2006 **HK$'000**	Restated 2005 HK$'000
Revenues		
Turnover from sales of mobile phones and accessories, net	**7,993,278**	6,642,335
Rental income		
– investment property	**481**	–
– others	**3,583**	3,449
Repair service income, net	**1,451**	6,220
Total	**7,998,793**	6,652,004

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 retail sales of mobile phones and accessories.

Other operations of the Group include the 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, 2006 by business segment is as follows:

	Continuing operations						Discontinued operation	
	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated		Provision of telecommunication services using VoIP technology	
	2006 HK$'000	Restated 2005 HK$'000	**2006 HK$'000**	Restated 2005 HK$'000	**2006 HK$'000**	Restated 2005 HK$'000	**2006 HK$'000**	Restated 2005 HK$'000
Turnover before inter-segment	**7,700,978**	6,440,359	**446,786**	569,168	**8,147,764**	7,009,527	**13,397**	76,085
Inter-segment turnover	**(80,561)**	(89,660)	**(73,925)**	(277,532)	**(154,486)**	(367,192)	**–**	–
Turnover	**7,620,417**	6,350,699	**372,861**	291,636	**7,993,278**	6,642,335	**13,397**	76,085
Unallocated revenue					**5,515**	9,669		
Revenue					**7,998,793**	6,652,004		
Segment results	**168,994**	103,045	**(9,227)**	(7,617)	**159,767**	95,428	**(10,914)**	(1,750)
Unallocated income and expenses, net					**(14,856)**	(21,650)	**–**	–
Operating profit/(loss)					**144,911**	73,778	**(10,914)**	(1,750)
Finance income					**13,429**	9,063	**13**	32
Finance costs					**(68,267)**	(44,751)	**(34)**	(617)
Profit/(loss) before taxation					**90,073**	38,090	**(10,935)**	(2,335)
Taxation					**(38,727)**	(31,651)	**–**	2,219
Profit/(loss) for the year					**51,346**	6,439	**(10,935)**	(116)

	Continuing operations						Discontinued operation	
	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated		Provision of telecommunication services using VoIP technology	
	2006	Restated 2005	**2006**	Restated 2005	**2006**	Restated 2005	**2006**	Restated 2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**2,440,227**	2,146,284	**174,334**	124,330	**2,614,561**	2,270,614	**–**	16,856
Unallocated assets					**123,160**	196,427		
Consolidated total assets					**2,737,721**	2,467,041		
Segment liabilities	**(1,713,493)**	(1,477,004)	**(85,184)**	(124,621)	**(1,798,677)**	(1,601,625)	**–**	(13,748)
Unallocated liabilities					**(64,086)**	(50,885)		
Consolidated total liabilities					**(1,862,763)**	(1,652,510)		
Capital expenditure	**3,397**	4,443	**1,284**	2,401	**4,681**	6,844	**–**	588
Unallocated capital expenditure					**8,904**	–		
Consolidated total capital expenditure					**13,585**	6,844		
Depreciation and amortisation	**9,509**	11,807	**1,409**	845	**10,918**	12,652	**873**	3,496
Unallocated depreciation and amortisation					**87**	–		
Consolidated total depreciation and amortisation					**11,005**	12,652		
Impairment of trade receivable	**47,770**	36,567	**1,886**	4	**49,656**	36,571	**28**	256
Impairment of inventories	**3,376**	38,504	**2,642**	80	**6,018**	38,584	**–**	–

Secondary reporting format – geographical segments

	Revenue 2006 HK$'000	Total assets 2006 HK$'000	Capital expenditure 2006 HK$'000
Hong Kong	**6,699,606**	**1,767,235**	**1,248**
Malaysia	**771,823**	**670,144**	**11,959**
The Philippines	**74,039**	**36,539**	**163**
Mainland China	**117,116**	**66,419**	**–**
Taiwan	**18,201**	**8,687**	**176**
Other countries	**318,008**	**65,537**	**39**
	7,998,793	**2,614,561**	**13,585**
Unallocated assets		**123,160**	
Total assets/capital expenditure		**2,737,721**	**13,585**

	Revenue Restated 2005 HK$'000	Total assets 2005 HK$'000	Capital expenditure Restated 2005 HK$'000
Hong Kong	5,473,297	1,326,234	3,088
Malaysia	716,661	722,266	1,174
The Philippines	83,697	55,869	194
Mainland China	172,776	106,907	–
Taiwan	66,954	25,309	1,027
Other countries	138,619	50,885	1,361
	6,652,004	2,287,470	6,844
Unallocated assets		196,427	
Total assets/capital expenditure		2,483,897	6,844

3. Cost of sales

	2006 HK$'000	Restated 2005 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**7,551,148**	6,216,672
Other direct costs	**51,168**	58,647
Impairment of inventories	**6,018**	38,584
	7,608,334	6,313,903

4. Other income/expenses

Other income/expenses mainly comprised gain on derivative financial instruments at fair value, compensation from insurance claim, loss on disposal of fixed assets, loss on disposal of available-for-sale financial asset and amortisation of intangible assets for the year ended 31st December, 2006.

5. Operating profit

Operating profit is stated after crediting and charging the following:

	2006 HK$'000	Restated 2005 HK$'000
Crediting		
Gain on derivative financial instruments at fair value #	**3,630**	–
Compensation from insurance claim #	**2,502**	1,898
Fair value gain on financial assets at fair value through profit or loss #	**39**	12
Charging		
Amortisation of intangible assets #	**3,198**	3,089
Amortisation of leasehold land	**573**	572
Auditors' remuneration		
– current year	**2,679**	2,191
– under/(over) provision in prior years	**320**	(2)
Depreciation		
– owned fixed assets	**6,398**	7,653
– leased fixed assets	**749**	1,338
– investment property	**87**	–
Direct operating expenses arising from investment property that generates rental income	**206**	–
Exchange losses, net #	**207**	1,266
Loss on derivative financial instruments at fair value #	**–**	4,796
Loss on disposal of available-for-sale financial asset #	**5,009**	–
Loss on disposal of fixed assets #	**1,131**	1,336
Operating leases		
– land and buildings	**20,780**	17,107
– office equipment	**422**	430
Pre-operating costs	**418**	62
Impairment of trade receivable	**49,656**	36,571
Provision for cessation of operations #	**–**	7,000
Staff costs (including Directors' remuneration and retirement benefit costs)	**94,149**	91,238

These are included in other income/expenses

6. Finance income/costs

	2006 HK$'000	Restated 2005 HK$'000
Bank interest income	**13,429**	9,063
Interest expenses on:		
– bank loans, overdrafts and finance leases wholly repayable within five years	**44,070**	33,026
– bank loan not wholly repayable within five years	**112**	171
Bank and other charges (note)	**24,085**	11,554
	68,267	44,751

Note:

Bank and other charges included a one-off discount on settlement of an other receivable balance amounting to HK$4,565,000 during the year.

7. Taxation

	2006 HK$'000	Restated 2005 HK$'000
Company and subsidiaries		
Hong Kong profits tax (note (i))	**25,939**	13,385
Overseas taxation (note (ii))	**14,451**	21,313
Under/(over) provision of taxation in prior years	**854**	(144)
Deferred taxation	**(2,517)**	(2,903)
	38,727	31,651

Notes:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit 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. Loss from discontinued operation

On 3rd July, 2006, the Group disposed of its 70% equity interest in Chi Tel Investments Limited, which provides inter-city/international telecommunication services using VoIP technology ("VoIP business"), to China Huge International Limited for a consideration of HK$1. The disposal of the VoIP business is reported in the consolidated accounts as a discontinued operation. The revenues and results of the VoIP business were as follows:

	From 1st January, 2006 to 3rd July, 2006 HK$'000	Year ended 31st December, 2005 HK$'000
Revenues	**13,397**	76,085
Cost of sales and expenses	**(16,598)**	(82,093)
Impairment of goodwill	**(7,754)**	–
Gain on disposal of subsidiaries	**20**	3,673
Loss before tax	**(10,935)**	(2,335)
Taxation (note)	**–**	2,219
Loss for the year	**(10,935)**	(116)

Note:

The profits tax and deferred tax for the year ended 31st December, 2005 amounted to HK$2,179,000 (credit) and HK$40,000 (credit) respectively.

9. Earnings per share

Basic earnings per share for the year is calculated based on the profit from continuing operations and loss from discontinued operation attributable to equity holders of the Company of HK$51,398,000 (2005: HK$7,284,000) and HK$10,683,000 (2005: profit of HK$1,214,000) respectively and on the weighted average of 1,945,696,565 (2005: 1,945,696,565) shares in issue during the year.

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

10. Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2006 (2005: Nil).

11. 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, 2006, the ageing analysis of the trade receivable was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
1-30 days	**440,376**	529,019
31-60 days	**349,222**	375,436
61-90 days	**364,082**	167,709
91-120 days	**111,791**	11,943
Over 120 days	**210,614**	116,246
Less: provision for impairment	**(119,485)**	(64,113)
	1,356,600	1,136,240

12. Trade payable

At 31st December, 2006, the ageing analysis of the trade payable was as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
1-30 days	**674,520**	260,815
31-60 days	**89,710**	86,159
61-90 days	**73,502**	287,081
91-120 days	**15,292**	6,452
Over 120 days	**28,982**	60,959
	882,006	701,466

13. Reserves

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

	Group						
	Share premium	**Merger reserve**	**Reserve fund** (note)	**Exchange reserve**	**Available-for-sale financial asset revaluation reserve**	**Retained earnings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January, 2006	127,258	3,989	4,872	1,615	1,991	482,989	622,714
Exchange differences	–	–	–	19,290	–	–	19,290
Profit attributable to equity holders of the Company	–	–	–	–	–	40,715	40,715
Release of reserve upon disposal of subsidiaries	–	–	–	(352)	–	–	(352)
Release of reserve upon disposal of available-for-sale financial asset	–	–	–	–	(1,991)	–	(1,991)
Balance at 31st December, 2006	**127,258**	**3,989**	**4,872**	**20,553**	**–**	**523,704**	**680,376**
Retained by:							
Company and subsidiaries	127,258	3,989	4,872	20,553	–	523,704	680,376
Balance at 1st January, 2005	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

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, 2006 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

The financial year 2006 saw the Group achieve a new milestone as it surpassed the US$1.0 billion turnover mark. With the robust industry outlook and market position of the Group, turnover for the financial year 2006 amounted to HK$7,993 million, representing an increase of 20% over last year's turnover of HK$6,642 million. Total sales volume increased by 22% from 4.5 million units in 2005 to 5.5 million units in 2006. Despite intense market conditions, the Group successfully maintained a satisfactory average gross profit margin of 4.9% for the year (2005: 5.1%).

Selling and distribution expenses reduced by 11% from HK$61 million in 2005 to HK$54 million for the year under review principally due to the reduced promotional expenditure relating to the Group's operations in Taiwan.

General and administrative expenses increased by 2% to HK$188 million in 2006 and have generally been kept in check as a result of tighter cost control and cost reduction measures undertaken by the management team during the year.

Finance cost increased by 53% to HK$68 million due to increased purchases during the year and an increase in bank and other charges.

Business units in Hong Kong, Malaysia and the Philippines continued to be the key contributors of profit to the Group. The Group will continue to focus on its key markets and strengths while at the same time further streamline its existing operations and close or divest non-performing business units so as to ensure the Group continues to be profitable in the long-run.

Management carried this policy through into the current year by exiting from the Voice-over-Internet-Protocol (VoIP) business with the disposal of its 70% equity interest in Chi Tel Investments Limited, resulting in a one-off loss of HK$10.4 million during the second quarter of the financial year. Further, the Group disposed of its entire equity investment in Noble Stand Holdings Limited, which gave rise to a loss on disposal of HK$5 million during the final quarter of the financial year.

Basic earnings per share from continuing operations and loss per share from discontinued operation for the year ended 31st December, 2006 were HK2.64 cents (2005: HK0.37 cent) and HK0.55 cent (2005: earnings per share HK0.06 cent) respectively.

The Group's inventory level increased to HK$566 million (2005: HK$377 million) due to year-end stock accumulation for the forthcoming month's sales. Average inventory turnover days increased slightly from 26 days to 30 days year-on-year.

Trade receivable increased from HK$1,136 million as at 31st December, 2005 to HK$1,357 million as of 31st December, 2006 in line with the increase in turnover. Average trade receivable turnover days was 67 days (2005: 65 days).

Liquidity and Financial Resources

As at 31st December, 2006, bank balance and cash of the Group amounted to approximately HK$532 million (2005: HK$693 million), of which approximately HK$402 million (2005: HK$388 million) was pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK$484 million (2005: HK$592 million), comprising long-term bank loans of approximately HK$47 million (2005: HK$49 million), obligations under finance leases of approximately HK$1 million (2005: HK$1 million), and short-term bank loans and overdrafts of approximately HK$436 million (2005: HK$542 million). The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2006 was 18% (2005: 24%).

Investment property, freehold properties and certain leasehold land and buildings of the Group with carrying values of approximately HK$55 million (2005: HK$46 million) are 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, 2006, the Group had approximately HK$29 million (2005: HK$61 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, 2006 and 2005.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31st December, 2006 and 2005.

Employees

As at 31st December, 2006, the Group had 708 (2005: 740) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2006 amounted to approximately HK$94 million (2005: HK$103 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

First Mobile continuously strives to bring the best products and highest quality service to its customers. The Group acquired over 40 new models in 2006, expanding the Group's product portfolio to a total of approximately 80 models. It sold approximately 5.5 million units of mobile phones in 2006. During the year under review, the Group operated 59 retail shops and sales kiosks in Hong Kong and Malaysia, under its Mobile City brand. Mobile City focuses on retailing mobile phones, related accessories and subscription services. In 2006, various large-scale promotions and joint promotion activities have contributed to brand recognition of Mobile City in the market.

To maintain its high visibility in the market, the Group participated in 2 large-scale international telecom trade fairs in 2006: CTIA Wireless 2006 in Las Vegas, USA and SVIAZ/EXPO COMM MOSCOW 2006 in Moscow, Russia.

Business by Geographical Coverage

Hong Kong

With effective marketing, the Group's retail business under the Mobile City branding has been popular among consumers in 2006. A series of tailor-made promotions focusing on its target customers have been carried out in 2006 jointly with globally renowned brands including Nokia, Motorola and Sony Ericsson. The Group also participated in the Hong Kong Shopping Festival organized by the Hong Kong Tourism Board. Such all-rounded marketing strategies were successful in further polishing the Mobile City brand name as well as increasing sales volume.

A new retail shop was opened in Tsz Wan Shan in late 2006 to further expand the geographical coverage of Mobile City. A series of marketing and promotional campaigns were organized to garner publicity and exposure for the Mobile City brand in Kowloon East district.

Hong Kong has one of the highest penetration rates for mobile handsets in the world, with a rate of approximately 140% (source: OFTA, December 2006). With the growing popularity of 3.5G connectivity with an even higher transmission speed than that of 3G, and new mobile phone applications including pocket MSN, mobile TV, Sling box, GPS, WiFi, etc., subscribers tend to constantly trade-in their current handsets for new ones, leading to shorter ownership life-cycles and a steadily growing replacement market. First Mobile is exploring new business opportunities with such new technologies and applications so as to cope with the increasing demands of the market.

Malaysia

With a population of approximately 26 million, there is tremendous potential in the Malaysian mobile phone market. In 2006, the number of mobile service subscribers has increased to 20 million, with a penetration rate of approximately 77% (source: Samsung Malaysia Electronics, December 2006), as compared to a penetration rate of approximately 65% in 2005.

With a market share of approximately 20%, Samsung is currently the second most popular handset brand in the country (source: GfK Report, December 2006). During the year under review, the Group's subsidiary in Malaysia had acquired the distribution rights of 35 new Samsung models including SGH-C130, C300, D510, D720, D820, D830, D840, D900, E250, E690, E770, E870, E900, I300, I320, P300, P850, X160, X210, X300, X500, X510, X520, X530, X540, X630, X650, X670, X680, X820, Z230, Z370, Z540, Z560 and Z720, making a total of 52 models in its current Samsung portfolio. The Group is also a distributor of Motorola mobile phones and the sole distributor of O2 PDA-phones in the country.

During the year under review, the Malaysian retail business unit had continued to expand its Mobile City retail network with the establishment of 2 additional retail stores and kiosks at Equine Park Seri Kembangan and Low Yat Plaza. They serve as the main platform in offering retail sales and customer services to end-users. A total of 52 shops and kiosks are now operating under the Mobile City brand name in the country.

The Philippines

The total number of mobile subscribers increased by 12% in 2006 while penetration rate remained a lowly 40% in the Philippines which has a population of 85 million people (source: National Telecommunications Commission, December 2006). There is enormous potential in this market. The number of mobile subscribers is expected to increase by about 6 million by the end of 2007 (source: National Telecommunications Commission, December 2006).

First Mobile's subsidiary in the Philippines is the exclusive distributor of Samsung, the second largest mobile phone brand in the country, with a market share of approximately 14% (source: Gartner Q4 Report, 2006). During the year under review, the subsidiary had acquired distribution rights of 15 new Samsung models including Samsung SGH-D510, D520, D720, D820, D830, D900, E360, E770, I300, P300, X300, X670, X680, X700 and X820, adding its Samsung distribution portfolio to 29 models to date. Sales volume of Samsung models had increased by 18% between 2005 and 2006.

During the year, Emcor, Ambassador and Audionet Telecom had been appointed as dealers of Samsung products. Emcor and Ambassador are the leading appliance stores based in Davao and Metro Manila respectively, while Audionet Telecom is one of the retail stores based in Cebu City with stores within the Visayas/Mindanao region.

To extend coverage of Samsung products and provide better services to its customers, the Group established another concept store under the banner of Samsung Experience in the Philippines during the year under review.

In addition, an interactive Samsung Academy Dealer Workshop had been set up in the northern city of Laoag for the Group's nationwide dealers to meet up and enhance team spirit on a quarterly basis apart from those already established in early 2006 in 5 other cities.

Plans and Strategies for 2007

The global mobile phone industry has been robust and growing healthily over the years and the Group is anticipating this upward trend to continue in the coming years. According to industry forecasts, the global sales of mobile phones is expected to reach approximately 1.1 billion units in 2007 compared to approximately 980 million units in 2006.

As the leading distributor in the Asia Pacific region, the Group is poised to benefit from the growing demand for mobile handsets and related accessories. The Group is particularly excited by the new, innovative and high-quality products to be launched in 2007.

The Group is continuing to grow its business and build on its brand name recognition by participating in international telecom trade fairs, such as CeBIT and CTIA Wireless, in March 2007, to maintain market visibility and explore new business opportunities globally. The Group intends to further consolidate its position in the market and drive margins upwards to return greater profitability to its business.

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, 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. The final expiry date to exercise the options under the terms of the Pre-Listing Share Option Plan is 30th June, 2006.

Options to subscribe for 27,630,750 Shares in the Company lapsed during the year ended 31st December, 2006 of which 27,625,500 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 5,250 Shares lapsed due to the resignation of an employee. As at 31st December, 2006, there were no options remaining to subscribe for Shares in the Company under this scheme.

During the year ended 31st December, 2006, no options had been exercised or cancelled.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 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				Percentage of issued share capital
	Personal interests	Family interests (note (i))	Corporate interests (note (ii))	Total	
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					
	Outstanding at 1st January, 2006		Lapsed during the year		Outstanding at 31st December, 2006	
	Personal interests	Family interests (note)	Personal interests	Family interests	Personal interests	Family interests
Mr. Ng Kok Hong	9,450,000	–	(9,450,000)	–	–	–
Mr. Ng Kok Tai	8,400,000	175,000	(8,400,000)	(175,000)	–	–
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 year.

Save as disclosed above, as at 31st December, 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 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, 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 SHARES

During the year ended 31st December, 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had, 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 year ended 31st December, 2006.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subjected to similar compliance.

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 Committee 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 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.

The Audit Committee has reviewed the results for the year ended 31st December, 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out by the Exchange during the year ended 31st December, 2006. A report on the corporate governance practices is embodied in the 2006 annual report.

By order of the Board
Ng Kok Hong
Executive Chairman

Hong Kong, 20th March, 2007

As at the date of this announcement, the Board comprises:

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.