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

mastering the MOBILE ARENA

ANNUAL REPORT 2004 二零零四年年報

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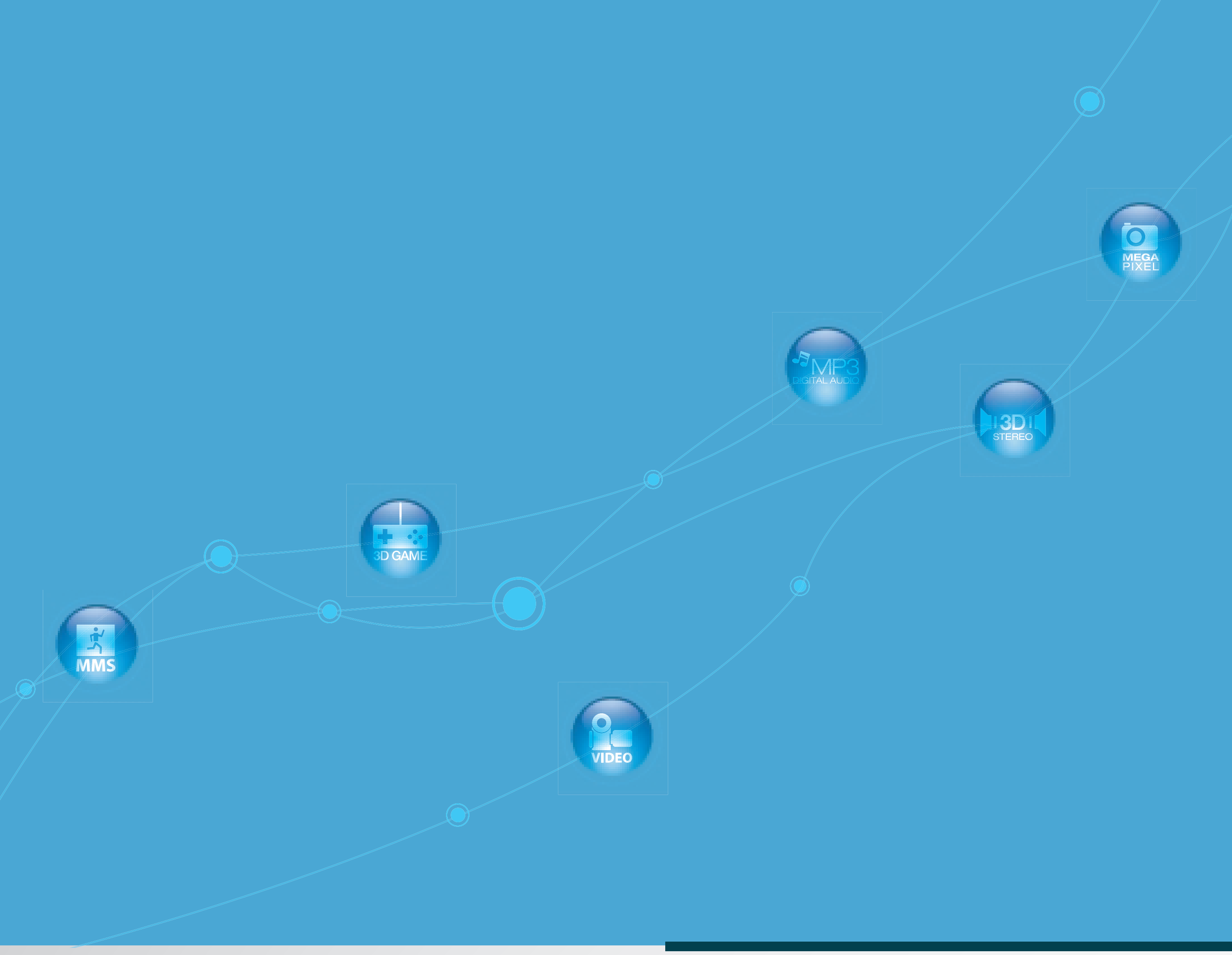
香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

創業板乃為帶有高投資風險的公司提供一個上市的市場,尤其在創業板上市的公司毋須有過往溢利紀錄,亦毋須預測未來溢利。此外,在創業板上市的公司可因其新興性質及該等公司經營業務的行業或國家而帶有風險。有意投資的人士應了解投資於該等公司的潛在風險,並應經過審慎周詳的考慮後方作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市公司新興的性質使然,在創業板買賣的證券可能會較於主板買賣之證券承受較大的市場波動風險,同時無法保證在創業板買賣的證券會有高流通量的市場。

創業板發佈資料的主要方法為透過聯交所運作的互聯網網頁刊登。上市公司一般毋須在憲報指定報章刊登付款公佈。因此,有意投資的人士應注意彼等須瀏覽創業板網頁www.hkgem.com,以便取得創業板上市發行人的最新資料。



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EXECUTIVE DIRECTORS	Ng Kok Hong Ng Kok Tai Ng Kok Yang
INDEPENDENT NON-EXECUTIVE DIRECTORS	Sze Tsai To Robert Wu Wai Chung Michael Wong Tin Sang Patrick
AUDIT COMMITTEE	Sze Tsai To Robert (Chairman) Wu Wai Chung Michael Wong Tin Sang Patrick
COMPLIANCE OFFICER	Ng Kok Hong
COMPANY SECRETARY AND QUALIFIED ACCOUNTANT	Chan Po Yi
REGISTERED OFFICE	Ugland House, South Church Street P.O. Box 309, George Town Grand Cayman, Cayman Islands
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	Suite 1919-1923 19th Floor, Grandtech Centre 8 On Ping Street, Shatin New Territories, Hong Kong
COMPANY WEBSITE	www.firstmobile.com
AUDITORS	PricewaterhouseCoopers
LEGAL ADVISER AS TO HONG KONG LAW	Woo, Kwan, Lee & Lo
PRINCIPAL BANKERS	Bank of China (Hong Kong) Limited Bumiputra-Commerce Bank Berhad CITIC Ka Wah Bank Limited Malayan Banking Berhad
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Butterfield Bank (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 705, George Town Grand Cayman, Cayman Islands
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE	Abacus Share Registrars Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road, Wanchai, Hong Kong

FIRST MOBILE GROUP HOLDINGS LIMITED

Mobile Phone Distribution

- **FIRST TELECOM INTERNATIONAL LIMITED** (HONG KONG)
- **FIRST MOBILE GROUP SDN. BHD.** (MALAYSIA)
- **MOBILE DISTRIBUTION (M) SDN. BHD.** (MALAYSIA)
- **EXQUISITE MODEL SDN. BHD.** (MALAYSIA)
- **SHANGHAI FAST TELCON EQUIPMENT INTERNATIONAL TRADING CO., LTD.** (MAINLAND CHINA)
- **FIRST ASIA MOBILE, INC.** (THE PHILIPPINES)
- **FIRST MOBILE INDIA PRIVATE LIMITED** (INDIA)
- **CONTACT MOBILE PTE LTD** (SINGAPORE)
- **MOBILE CONCEPT INTERNATIONAL LIMITED** (TAIWAN)

VoIP Business

- **CHI TELECOM PTY LTD** (AUSTRALIA)
- **CHI TEL NZ LIMITED** (NEW ZEALAND)
- **CHI TEL LIMITED** (HONG KONG)
- **CHI-TEL UK LIMITED** (THE U.K.)
- **CHI TEL USA CORP.** (THE U.S.)
- **CHI TEL CANADA LTD.** (CANADA)
- **CHI TEL FRANCE SARL** (FRANCE)

corporate profile and mission

PROFILE

First Mobile Group Holdings Limited ("First Mobile" or the "Group") is a leading regional player engaged in the trading and distribution of mobile phones and related accessory products from various international brands. First Mobile offers complete value-added solutions to manufacturers, operators, dealers and end users, from pre-sales to distribution, marketing and after-sales of products.

MISSION

To be a regional leader in the industry, by offering advanced mobile phones from various renowned brands and meeting the demands of all users of diverse backgrounds.

FINANCIAL FIGURES

During the year under review, the Group's turnover amounted to approximately HK$6,183 million, representing a slight decrease of 0.1% from approximately HK$6,192 million for the previous year. Despite severe price wars and intense market competition across the region, the Group's gross profit increased by 8.3% to reach approximately HK$366 million, while profit attributable to shareholders increased by 14% from HK$55 million for year 2003 to approximately HK$63 million for year 2004. Sales volume of mobile phones for year 2004 was approximately 3.7 million units.

Attributable to the Group's strategies of focusing on mid to high-end mobile phone models and its continual practice of stringent cost control measures, gross profit margin maintained at a healthy level of 5.9% for year 2004. Basic earnings per share amounted to HK3.2 cents, representing an increase of 14% over the financial year of 2003.

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

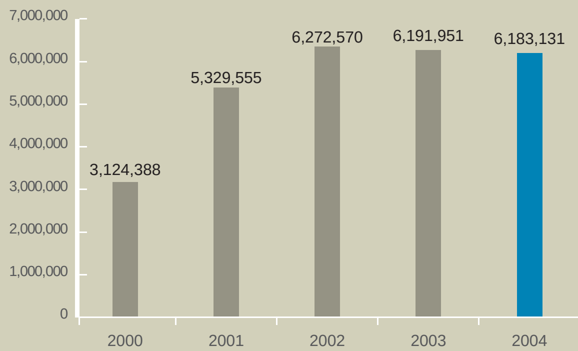
Loss was recorded in the Voice-over-IP ("VoIP") business as a result of keen competition in the new markets explored in the second half of 2003 and high operating costs in these new markets. Substantial operating loss in the first half year of 2004 and additional provisions made at year end resulted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

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

Besides enriching our product portfolio, we have further expanded our business to Taiwan in the second half of 2004. We took this step towards expansion to explore distribution opportunities in the region. We foresee a high growth potential of the mobile communication industry in the Taiwan market.

During 2004, our VoIP business suffered loss due to severe price wars, keen market competition and high operating costs. Under direction of the Board, our management has implemented aggressive strategies to

FOR THE YEARS ENDED
31ST DECEMBER
TURNOVER (HK$'000)



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

SUMMARY OF BUSINESS OPERATIONS IN 2004

Recognised for its value-added services and distribution of mobile phones and related accessories from a wide array of brands in the Asia Pacific region, First Mobile continued to sustain its leading market position by acquiring new brands and opening up new distribution channels to propel its business to new heights.

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

reduce operating costs and has planned to revamp the business by the middle of 2005. Fixed and operating costs are estimated to be reduced by approximately HK$19 million in 2005. Average profit margin is expected to improve from 30% in 2004 to 35% in 2005. New products will be launched to broaden the revenue stream and to improve profit margin.

Although our VoIP business did not perform well during the year under review, our core business of mobile phone distribution has performed encouragingly and thus compensated for the operating loss from the VoIP business.

FUTURE PLANS AND DEVELOPMENT

Our mission is to sustain an unrivaled market leadership in the mobile communication industry throughout the Asia Pacific region. We will achieve this vision by enriching our product portfolio and maintaining excellent relationships with various manufacturers, as well as by continuing to strengthen our market presence throughout the Asia Pacific region.

Third-Generation ("3G") mobile services were launched in most developed countries in North America, United Kingdom, Italy and Asia, such as Japan, Korea and Hong Kong in 2004. 3G mobile services are increasingly popular with a total of approximately 140 million subscribers worldwide in 2004 (source: www.3gtoday.com, March 2005) while we expect the number of subscribers to increase by more than double in 2005 (source: www.3gtoday.com, January 2005). We foresee 3G phones and innovative phones to be the trend in the near future. To meet the market demand, we will explore business opportunities for 3G technology and mobile phones with innovative features.

In the coming year, our management will focus on maintaining good profit margin in our distribution business; and at the same time, strive to turn around under-performing VoIP business and mobile phone distribution business in India. To further strengthen our business, we will continue to acquire distribution rights of new products and to further solidify our presence in upcoming markets like Taiwan. We are confident that our partners of mobile phone manufacturers will continue to increase their market share and that our business will grow with them.

First Mobile will strive to continue to attain sustainable growth with its businesses, while creating values for business partners, manufacturers, dealers and dedicated staff. Together with our management team, we share full confidence in the Group's future prospects and our ability to reward investors and shareholders with positive results, by achieving impressive growth in the coming year.

Ng Kok Hong
Executive Chairman

Hong Kong, 22nd March, 2005

1. COMPETITION

Despite keen market competition, First Mobile has not only successfully maintained its leading position but has achieved steady growth as well.

First Mobile aims to stay ahead in the race and unrelentingly pursue its goals of maintained market dominance and continued growth.

BUSINESS REVIEW BY GEOGRAPHICAL COVERAGE

Mobile Phone Distribution

HONG KONG

With a high penetration rate of approximately 118% (source: OFTA, March 2005), the new subscriber market is completely saturated. However, the replacement market still demonstrated satisfactory performance with an average of 280,000 units per month during 2004 (source: GfK, January 2005). In addition, the declining unemployment rate, improved economy and increased number of tourists from Mainland China have helped to boost consumer spending. Sales volume of mobile phones is expected to increase in 2005.

During the year under review, First Mobile successfully launched over 10 new mobile phone models in Hong Kong. Almost all these new models were widely recognised in the market, gaining positive response and achieving satisfactory sales volumes. With the increasing heat in the 3G market, 3G-related products and services will become more popular. The Group will actively explore business opportunities related to 3G technology.

MALAYSIA

Malaysia, with a population of approximately 26 million, is a huge market for mobile phones. In 2004, the number of mobile phone subscribers increased by approximately 33% over 2003 to 14.6 million (source: The Star, December 2004) with a penetration rate of about 50% (source: The Star BizWeek, October 2004).

The Group's subsidiaries in Malaysia achieved good business performance. During the year under review, the Group launched 13 Samsung mobile phone models, namely SGH-X100A, SGH-E100A, SGH-X430, SGH-X600A, SGH-D410C, SGH-E600C, SGH-E800C, SGH-X460C, SGH-E310C, SGH-E330C, SGH-P510, SGH-X120C and SGH-C200C. Samsung is the second largest mobile phone brand with a market share of approximately 27% in Malaysia. The Group believes that its long-term win-win relationship with Samsung will continue to bring positive contribution to both First Mobile and Samsung in Malaysia.

First Mobile continued its market penetration in the retail arena through retail chains operating under the brand name of Mobile City. Mobile City currently operates 19 retail outlets and has become one of the leading retail specialists of mobile products in Malaysia. Four shops were added during 2004, namely Mobile City Jusco Permas, Mobile City Kepong, Mobile City Bukit Jambul and Mobile City Sungai Petani (Tesco). These shops serve as a main window offering retail sales and customer service, and most importantly, have boosted the Group's overall image as a full-service distributor. To better serve our customers, the Group also established two more service centres in Kota Sri Mutiara, Kota Bahru in Kelantan and Star Parada Complex, Alor Setar in Kadah in 2004, to bring the current total to 16 service centres in Malaysia.

MAINLAND CHINA

With over 50 brands and approximately 1,000 models, market competition of both local and foreign brands has become more intense in Mainland China.

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

THE PHILIPPINES

The total number of mobile phone subscribers increased by 16% in the Philippines in 2004 over year 2003. Moreover, the penetration rate remained low at only 33% or approximately 25 million people (source: National Telecommunications Commission, November 2004) leaving much room for growth. The number of mobile subscribers is expected to grow to 27 million by the end of 2005 (source: National Telecommunications Commission, January 2005).

2. EXPLORATION

To enhance shareholders' value, First Mobile will continue to explore new business opportunities.

First Mobile believes that business opportunities from new technologies of 3G and new distribution model of retail will broaden our revenue stream and further strengthen our foundation.

During the year under review, First Mobile was the distributor of Samsung mobile phones, the second largest mobile phone brand in the Philippines. The Group opened an exclusive Samsung mobile centre in Glorietta, a high-end and high-traffic mall in Makati city, a major business district in Metro Manila. Apart from the two existing service centres run by its subsidiary, two dealer-operated service centres were established in Manila and Baguio, making a total of 9 dealer-operated service centres in the Philippines at present.

To further strengthen the coverage of Samsung products in the retail arena, the Group established approximately 60 concept shops under the banner "Samsung Privilege Partners Shop" in the Philippines, in cooperation with local dealers, to sell Samsung mobile products.

TAIWAN

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

INDIA

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

FINANCIAL REVIEW

Overview

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

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

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

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

Capital Structure

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

Treasury Policies

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

Capital Commitments

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

Contingent Liabilities

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

Employees

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

PLANS AND STRATEGIES FOR 2005

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

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

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

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

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

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

3. TEAMWORK

First Mobile's success is largely due to the united efforts of its dedicated management team and hard-working staff.

As a result of this teamwork, First Mobile has succeeded to enhance the values for our shareholders.

Executive Directors

Mr. NG Kok Hong

Aged 41, Executive Chairman of the Group. Mr. Ng is actively involved in the corporate planning and operation of the Group. Since he co-founded a company with Mr. Ng Kok Tai to do mobile phone distribution in Malaysia in 1989 until present, Mr. Ng Kok Hong has been actively involved in the mobile phone industry. Mr. Ng has successful grown the Group's business to cover Mainland China, Hong Kong, the Philippines, India, Japan, Australia, New Zealand and the U.K.. Mr. Ng has also contributed a lot to the strategic relationship between the Group and renowned manufacturers like Samsung and Siemens.

Mr. NG Kok Tai

Aged 44, Executive Deputy Chairman of the Group. He is also the President and a director of First Mobile Group Sdn. Bhd., Mobile Distribution (M) Sdn. Bhd., Exquisite Model Sdn. Bhd. as well as a director of First Telecom International Limited. He began his career in financial sector in 1981 in Malaysia. In 1988, he left the financial sector to join Mr. Ng Kok Hong in 1989 to venture into the mobile phone industry and became one of the top mobile phone dealers in Kuala Lumpur. He is the elder brother of Mr. Ng Kok Hong and Mr. Ng Kok Yang. He is the husband of Ms. Siew Ai Lian.

Mr. NG Kok Yang

Aged 37, Chief Executive Officer of the Group. Having obtained his law degree from the University of London, he read for the Bar at Lincoln's Inn and was admitted to the Bar of England and Wales in 1991. Upon his return to his native Malaysia, he was admitted to the rolls as an Advocate and Solicitor of Malaya. From 1992 to 1996, Mr. Ng Kok Yang practised law in Kuala Lumpur, Malaysia. In 1996, he joined First Telecom International Limited and shared in Mr. Ng Kok Hong's vision of a global mobile phone distribution network. During the past seven and a half years, Mr. Ng had made invaluable contribution to the growth of the Group including the setting up of a strong suppliers network worldwide as well as strong distribution channels in Asia Pacific. He is the younger brother of Mr. Ng Kok Hong and Mr. Ng Kok Tai.

Independent non-executive Directors

Mr. SZE Tsai To Robert

Aged 64, has been an independent non-executive Director since September 2000. Mr. Sze is a member of the Chinese People's Political Consultative Conference in Shanghai. Mr. Sze was a partner in an international firm of accountants with which he practised for over 20 years. He is a fellow of The Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Sze is currently an independent non-executive director of a number of companies listed in Hong Kong and the U.S., including SW Kingsway Capital Holdings Limited.

Mr. WU Wai Chung Michael

Aged 55, has been an independent non-executive Director since August 2000. Mr. Wu is currently an executive director of SW Kingsway Capital Holdings Limited. He was the Deputy Chairman of the Shanghai Stock Exchange until July 2002. Prior to that, he was a full time Advisor to the China Securities Regulatory Commission. Until end of 1997, he was the Deputy Chairman and Chief Operating Officer of the Securities and Futures Commission of Hong Kong. Mr. Wu is also an independent non-executive director of Interchina Holdings Company Limited.

Mr. WONG Tin Sang Patrick

Aged 72, has been an independent non-executive Director since August 2001. Mr. Wong is a retired banker. Mr. Wong has over 40 years of experience in the banking industry and had held senior positions in 4 banking institutions. His last position was a business adviser in the corporate banking group at CITIC Ka Wah Bank Limited.

Senior Management

Ms. CHAN Po Yi

Aged 33, Chief Financial Officer of the Group and the Company Secretary and the Qualified Accountant of the Company. Ms. Chan is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. She obtained her Bachelor Degree in Accountancy from the Hong Kong Polytechnic University and has over 10 years of experience in professional accounting and finance. Before joining the Group in March 2000, Ms. Chan worked with one of the leading international accounting firms in Hong Kong.

Ms. CHAN Suet Lan Angela

Aged 42, Senior Vice President (Marketing) of the Group. Ms. Chan is responsible for the marketing activities of the Group. Ms. Chan received her Bachelor Degree in Arts from the University of Hong Kong and has over 20 years of extensive experience in marketing telecommunications products. Prior to joining the Group in May 2000, she worked for various information technology and telecommunications corporations including Tricom, Hong Kong Telecom, Cable & Wireless, Attachmate, JOS, Philips and Siemens.

Mdm. ENG Sew Chin

Aged 57, Group Treasurer. Mdm. Eng is also a director and Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 32 years of experience in the accounting and financial field. Prior to joining the Group in July 2000, Mdm. Eng was the Financial Controller of a big group of companies involved in manufacturing, services, trading, and plantations in Malaysia. Mdm. Eng is the elder sister of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang.

Ms. HONG Heng Mei

Aged 37, Vice President (Human Resources) of the Group. Ms. Hong is an associate member of the Chartered Institute of Management Accountants, United Kingdom, a member of the Malaysian Institute of Accountants and a member of the Singapore Institute of Management. Ms. Hong has over 14 years of experience in finance and accounting as well as human resources management. Prior to joining the Group in October 2002, Ms. Hong worked for multinational corporations in Malaysia, Hong Kong and Singapore.

Mr. HUANG Frank C. D.

Aged 42, Chief Executive Officer of the Chi Tel Group. Mr. Huang graduated from Civil Aviation University of China in the People's Republic of China and has accumulated over 10 years of experience in the civil aviation industry from working for China Southwest Airlines and China Air Express. He joined the Group in June 2002. Mr. Huang moved to the telecommunications business in the late 80's and started to distribute pagers and mobile phones in 1988 and 1992 respectively. In 1996, Mr. Huang ventured into the distribution of mobile phone SIM cards. He started the prepaid phone cards business by using the VoIP technology in 1999 and successfully expanded the Chi Tel Group to Australia, Hong Kong, New Zealand, the U.K., the U.S. and other countries.

Mr. KHOO Chan Leng

Aged 33, Country Manager of First Asia Mobile, Inc. ("FAMI") in the Philippines. Mr. Khoo joined FAMI in September 2002, where he was relocated to Manila from Hong Kong. Prior to joining the Group, he was the Assistant Financial Controller of Philips Electronics Hong Kong Ltd.. He has been working in the business and finance fields for more than 10 years and is currently a member of the accountancy bodies in Australia, Malaysia and Hong Kong.

Mr. NG Kian Teck Simon

Aged 46, Executive Vice President (Corporate Planning) of First Mobile Group Sdn. Bhd. in Malaysia. Mr. Ng has a Master Degree in Business Administration from the University of Bath, the U.K.. He has over 19 years of experience in the mobile phone industry. Prior to joining the Group in April 1999, he held senior positions with a listed company in Malaysia.

Mr. REY Benjamin

Aged 29, Vice President (International Department) of the Group. Mr. Rey graduated from the European Business School, Paris, France with a major in marketing and management. He joined the Group in 1997 and has played a decisive role in the growth of the Group both in the domestic distribution and the international trading development.

Mr. ROY Sanjoy

Aged 49, Chief Executive Officer of First Mobile India Private Limited. Graduated with a Degree in Business Management from St. Xavier's Institute of Management, Mumbai and a Bachelor of Science Degree from University of Nagpur, India, Mr. Roy has a total of 28 years' working experience of which 17 years in mobile phones and hi-tech equipment sales. Prior to joining the Group in July 2001, he worked as a senior management staff for Motorola India Ltd. for 6 years and Modi Xerox Ltd. India for 7 years.

Ms. SIEW Ai Lian

Aged 45, an Alternate Director of First Mobile Group Sdn. Bhd. in Malaysia. Ms. Siew was educated in Malaysia and has extensive experience in administration and human resources management. Ms. Siew is an Associate Member of the Malaysian Institute of Management. She joined the Group in 1996. Prior to that, she worked with a number of financial institutions and foreign agencies in Malaysia. She is the wife of Mr. Ng Kok Tai.

Mr. TAN Joseph

Aged 49, Executive Vice President (Sales, Marketing Service & Logistics) of First Mobile Group Sdn. Bhd. in Malaysia. Mr. Tan obtained his Bachelor of Economics from University of South Wales, Cardiff, the U.K.. Before joining the Group in January 2003, Mr. Tan has over 22 years of experience working in multinational organizations with portfolios that include general management, marketing, sales and new business development in different countries such as Russia, the U.S., Switzerland, Indonesia, Vietnam and Singapore.

Mr. WONG Wai Hoe

Aged 37, Vice President (Hong Kong Operation) of First Telecom International Limited. Mr. Wong is a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in 2000, Mr. Wong worked in the corporate finance department of a merchant bank in Malaysia and an accounting firm in London.

The directors of the Company (the "Directors") have pleasure in submitting to shareholders their report together with the audited accounts of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities and other particulars of the principal subsidiaries are set out in note 27 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The Directors recommend the payment of a final dividend of HK0.5 cent per share, totalling HK$9,728,000, for the year ended 31st December, 2004.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$58,000.

INTANGIBLE ASSETS AND FIXED ASSETS

Details of the movements in intangible assets and fixed assets are set out in notes 12 and 13 to the accounts respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 70.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2004, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the year and up to the date of this report are:

EXECUTIVE DIRECTORS
Mr. Ng Kok Hong
Mr. Ng Kok Tai
Mr. Ng Kok Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Sze Tsai To Robert
Mr. Wu Wai Chung Michael
Mr. Wong Tin Sang Patrick

The Company has received from each of its independent non-executive directors, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick, the written confirmation of his independence pursuant to rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Exchange") (the "GEM Listing Rules"). The Company, based on such confirmation, considers the independent non-executive directors to be independent.

In accordance with Article 116 of the Company's Articles of Association, Mr. Ng Kok Tai and Mr. Wong Tin Sang Patrick retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 15 to 17.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company under which they act as executive Directors for an initial term of three years commencing from 1st January, 2001 and shall continue thereafter until terminated by either party giving to the other not less than six months' notice in writing. The executive Directors are entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the Group attributable to shareholders of the Company. The percentage shall be determined by the board of Directors but in any case the aggregate amount payable in each financial year to all the executive Directors of the Company shall not exceed 10% of such profit.

Based on the audited financial results for the year ended 31st December, 2004, the maximum amount of the discretionary bonus that the executive Directors would have been entitled to was approximately HK$6,307,000 (2003: HK$5,544,000). During the year ended 31st December, 2004, the executive Directors were entitled to a discretionary bonus of HK$1,800,000 (2003: HK$1,800,000).

The independent non-executive Directors of the Company, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick have been appointed for a fixed term and subject to retirement by rotation in accordance with the Company's Memorandum and Articles of Association.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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.

1 2003 SHARE OPTION SCHEME

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

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

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

As at 31st December, 2004, no options under this scheme had been granted.

2 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.

SHARE OPTION SCHEMES *(continued)*

2 PRE-LISTING SHARE OPTION PLAN *(continued)*

Each of the grantees to whom options have been granted under the Pre-Listing Share Option Plan will be entitled to exercise (i) 10% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 6 months from the Listing Date, (ii) 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, (iii) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 18 months from the Listing Date, (iv) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 24 months from the Listing Date, and (v) the remaining 20% of the options granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 30 months from the Listing Date and, in each case, not later than three years from the date of exercise of the options.

Options to subscribe for 46,150,125 Shares in the Company lapsed during the year ended 31st December, 2004 of which 42,478,625 Shares lapsed due to the expiry of the option period in accordance with the terms of the Pre-Listing Share Option Plan and the remaining 3,671,500 Shares lapsed due to the resignation of employees. As at 31st December, 2004, there are options remaining to subscribe for an aggregate of 98,373,625 Shares, representing 5% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 92,487,500 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 3,675,000 Shares granted to 4 senior management staff and options to subscribe for an aggregate of 2,211,125 Shares granted to 30 employees.

During the year ended 31st December, 2004 and up to the date of this report, 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, 2004, 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:

1 SHARES IN THE COMPANY

	Number of shares of HK$0.10 each				
Name of Director	**Personal interests**	**Family interests** (note (i))	**Corporate interests** (note (ii))	**Total**	**Percentage of issued share capital**
Mr. Ng Kok Hong	596,766,389	9,088,625	–	605,855,014	31.14%
Mr. Ng Kok Tai	–	–	596,766,389	596,766,389	30.67%
Mr. Ng Kok Yang	146,944,889	–	–	146,944,889	7.55%
Mr. Wu Wai Chung Michael	2,003,500	–	–	2,003,500	0.10%
Mr. Sze Tsai To Robert	787,500	–	–	787,500	0.04%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES *(continued)*

1 SHARES IN THE COMPANY *(continued)*

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.

2 SHARES IN AN ASSOCIATED CORPORATION

	Number of non-voting deferred shares of HK$1.00 each in First Telecom International Limited		
Name of Director	**Personal interests**	**Family interests** (note)	**Total**
Mr. Ng Kok Hong	1,239,326	18,878	1,258,204
Mr. Ng Kok Tai	1,239,326	–	1,239,326
Mr. Ng Kok Yang	305,160	–	305,160

Note: These shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong, and therefore Mr. Ng Kok Hong is deemed by virtue of the SFO to be interested in these shares.

3 OPTIONS TO SUBSCRIBE FOR SHARES IN THE COMPANY

	Number of underlying shares under the Pre-Listing Share Option Plan					
	Outstanding at 1st January, 2004		**Lapsed during the year**		**Outstanding at 31st December, 2004**	
Name of Director	**Personal interests**	**Family interests** (note)	**Personal interests**	**Family interests**	**Personal interests**	**Family interests**
Mr. Ng Kok Hong	47,250,000	–	(14,175,000)	–	33,075,000	–
Mr. Ng Kok Tai	42,000,000	875,000	(12,600,000)	(262,500)	29,400,000	612,500
Mr. Ng Kok Yang	42,875,000	–	(12,862,500)	–	30,012,500	–

Note: The option to subscribe for shares in the Company was granted to Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SFO to be interested in this option.

These options were granted on 15th December, 2000 under the Pre-Listing Share Option Plan and are exercisable at HK$0.82 per share. None of the above Pre-Listing share options had been exercised during the year.

Save as disclosed above, as at 31st December, 2004, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES *(continued)*

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2004, other than the interests disclosed in the section headed "Directors' interests and short positions in shares" above, there were no other persons who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

ADVANCE TO AN ENTITY

According to rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Company's total market capitalisation. As at 31st December, 2004, trade receivable from a customer of the Group (the "Trade Receivable"), 上海頂一電訊設備有限公司 (the "Customer"), a company which is independent of, and not connected with, the Company, the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules), amounted to approximately HK$34,000,000, representing approximately 8% of the Company's total market capitalisation as at 31st December, 2004. The Trade Receivable was resulted from sales to the Customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and has normal terms of settlement.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

SALES	
– the largest customer	5.4%
– five largest customers combined	17.7%
PURCHASES	
– the largest supplier	48.9%
– five largest suppliers combined	61.8%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules (before amendments relating to the Code on Corporate Governance Practices and Rules on the Corporate Governance Report on 1st January, 2005) during the year.

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established an audit committee on 15th December, 2000 with terms of reference in compliance with rules 5.28 to 5.30 of the GEM Listing Rules (before amendments relating to the Code on Corporate Governance Practices and Rules on the Corporate Governance Report on 1st January, 2005). As at the date of this report, the audit committee comprises three independent non-executive Directors, Mr. Sze Tsai To Robert, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick.

The principal duties of the audit committee include the review and supervision of the financial reporting process and internal control procedures of the Group. During the year and up to the date of this report, five audit committee meetings were held for reviewing the Company's annual report, half-year report and quarterly reports, and providing advice and recommendations to the board of Directors.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ng Kok Hong
Executive Chairman

Hong Kong, 22nd March, 2005

Auditors' Report to the Shareholders of
First Mobile Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 26 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd March, 2005

FOR THE YEAR ENDED 31ST DECEMBER, 2004

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

AS AT 31ST DECEMBER, 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Intangible assets	12	**17,123**	24,075
Fixed assets	13	**97,030**	84,634
Deferred tax assets	26	**4,219**	4,576
		118,372	113,285
Current assets			
Inventories	15	**424,261**	335,947
Other securities	16	**687**	599
Trade receivable	17	**974,649**	837,424
Other receivables and prepayments		**121,163**	154,829
Tax recoverable		**1,940**	5,879
Bank balances and cash	18		
– pledged		**387,354**	337,589
– not pledged		**157,383**	132,759
		2,067,437	1,805,026
Current liabilities			
Trade payable	19	**422,952**	294,778
Bills payable		**209,049**	168,730
Other payables and accrued charges		**147,090**	110,158
Current portion of long-term liabilities	22	**4,131**	36,050
Taxation payable		**16,677**	12,039
Bank loans and overdrafts			
– secured		**548,534**	527,115
– unsecured		**10,498**	2,758
		1,358,931	1,151,628
Net current assets		**708,506**	653,398
Total assets less current liabilities		**826,878**	766,683

	Note	2004 HK$'000	2003 HK$'000
Financed by:			
Share capital	20	**194,570**	194,570
Reserves	21	**615,537**	554,825
Proposed final dividend	21	**9,728**	–
Shareholders' funds		**819,835**	749,395
Minority interests		**376**	7,272
Non-current liabilities			
Long-term liabilities	22	**5,350**	9,027
Deferred tax liabilities	26	**1,317**	989
		826,878	766,683

Ng Kok Hong
Director

Ng Kok Yang
Director

AS AT 31ST DECEMBER, 2004

	Note	2004 HK$'000	2003 HK$'000
Non-current assets			
Investments in subsidiaries	14	**526,028**	514,257
Current assets			
Other receivables		**178**	178
Bank balances and cash		**5,033**	34
		5,211	212
Current liabilities			
Other payables and accrued charges		**1,041**	935
Net current assets/(liabilities)		**4,170**	(723)
Total assets less current liabilities		**530,198**	513,534
Financed by:			
Share capital	20	**194,570**	194,570
Reserves	21	**325,900**	318,964
Proposed final dividend	21	**9,728**	–
Shareholders' funds		**530,198**	513,534

Ng Kok Hong
Director

Ng Kok Yang
Director

FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Note	**2004 HK$'000**	2003 HK$'000
Equity at beginning of year		**749,395**	713,651
Net surplus on revaluation of properties, net of taxation	21	**9,411**	53
Exchange differences arising on translation of the accounts of foreign subsidiaries and a jointly controlled entity	21	**(1,033)**	(296)
Net gains/(losses) not recognised in the consolidated profit and loss account		**8,378**	(243)
Profit for the year	21	**63,072**	55,444
Release of reserves upon dissolution of subsidiaries	21	**(1,010)**	–
Dividend	21	**–**	(19,457)
Equity at end of year		**819,835**	749,395

FOR THE YEAR ENDED 31ST DECEMBER, 2004

	Note	**2004 HK$'000**	2003 HK$'000
Cash flows from operating activities			
Cash generated from operations	23(a)	**152,264**	197,732
Hong Kong profits tax paid		**(10,158)**	(10,028)
Overseas taxation paid		**(24,553)**	(18,373)
Overseas taxation refund		**1,043**	946
Interest received		**5,095**	4,711
Interest paid		**(19,965)**	(21,591)
Bank and other charges paid		**(12,006)**	(11,640)
Net cash inflow from operating activities		**91,720**	141,757
Cash flows from investing activities			
Purchase of fixed assets		**(8,396)**	(19,363)
Sale of fixed assets		**157**	3,150
Disposal of jointly controlled entities		**–**	520
Increase in pledged bank deposits		**(49,765)**	(48,739)
Purchase of distribution right		**–**	(12,300)
Purchase of other securities		**(9)**	–
Net cash used in investing activities		**(58,013)**	(76,732)
Cash flows from financing activities	23(b)		
Interest element of finance lease payments		**(195)**	(340)
Dividend paid		**–**	(19,457)
Capital element of finance lease payments		**(922)**	(1,922)
Capital contribution from a minority shareholder of a subsidiary		**–**	410
Increase in long-term bank loans		**–**	3,665
Repayment of long-term bank loans		**(35,173)**	(51,067)
Increase/(decrease) in short-term bank loans		**21,419**	(36,568)
Net cash used in financing activities		**(14,871)**	(105,279)
Effect of foreign exchange rate changes		**(1,952)**	(3,495)
Net increase/(decrease) in cash and cash equivalents		**16,884**	(43,749)
Cash and cash equivalents at beginning of year		**130,001**	173,750
Cash and cash equivalents at end of year	23(d)	**146,885**	130,001

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation of the accounts

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

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

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(ii) Jointly controlled entities (continued)

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

(iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not exceeding 20 years. Goodwill on acquisitions that occurred prior to 1st January, 2001 was taken directly to reserves. Where the fair value of the Group's share of net assets acquired exceed the cost of an acquisition, such differences are taken directly to reserve as capital reserve.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January, 2001 acquisitions, the related goodwill taken directly to reserves to the extent it has not previously been realised in the consolidated profit and loss account.

(ii) Distribution right

Expenditure on acquired distribution right is capitalised and is amortised using the straight-line method over its useful life of not exceeding 20 years.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible assets, including those previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(d) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Fixed assets

(i) Fixed assets

Leasehold properties and freehold properties are interests in land and buildings and are stated in the balance sheet at their revalued amount, being fair value at the date of revaluation less any subsequent accumulated depreciation. Fair value is determined by the Directors based on independent valuations. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of these properties is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, when the surplus is recognised as income. A decrease in net carrying amount arising on revaluation of a property is recognised as an expense to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that property.

Fixed assets, other than leasehold properties and freehold properties, are stated at cost less accumulated depreciation and impairment losses.

Freehold land is not subject to amortisation.

Leasehold land is amortised over the remaining period of respective leases while other fixed assets are depreciated at rates sufficient to write off their cost or valuation over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% to 4%
Leasehold improvements	20% to 25%
Motor vehicles	20% to 25%
Furniture, fixtures and equipment	8% to 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(ii) Impairment and gain or loss on disposal

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the balance on revaluation reserve for that same asset, in which case it is treated as a decrease in the revaluation reserve.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(f) Assets held under finance leases

Leases that substantially transfer to the company all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(g) Other securities

Other securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other securities are recognised in the profit and loss account. Profits or losses on disposal of other securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Inventories

Inventories primarily comprise mobile phones and accessories for resale and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(k) Advertising and promotion costs

Advertising and promotion costs incurred net of reimbursements from suppliers are charged to the profit and loss account in the year in which they are incurred.

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made by the Group for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia, the United Kingdom (the "U.K."), Mainland China, the Philippines, Australia, India, France, Canada and Singapore, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby these subsidiaries are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to the salary scale, as stipulated under the requirements in respective countries. The governments of respective countries are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to the profit and loss account as incurred.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Employee benefits *(continued)*

(iii) Pension obligations (continued)

Subsidiaries in Hong Kong operate defined contribution schemes. Monthly contributions made by these subsidiaries are at fixed sums agreed between the subsidiary and each qualified employee while the monthly contributions made by the employees are determined by respective qualified employees. Monthly contributions made by the subsidiaries in Hong Kong are calculated based on certain percentages of the applicable payroll costs on fixed sums as stipulated under the relevant requirements, as appropriate. Additional contributions to the schemes are at fixed sums payable monthly and agreed between the subsidiaries and the relevant employees. The assets of the schemes in Hong Kong are held separately from those of subsidiaries in independently administered funds. Contributions to the schemes are charged to the profit and loss account as incurred.

(iv) Equity compensation benefits

Share options are granted to Directors and employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(o) Borrowing costs

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Pre-operating costs

Pre-operating costs are expensed in the year in which they are incurred.

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent primarily corporate expenses and gain/loss on investment securities. Segment assets and liabilities are those operating assets and liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets consist primarily of fixed assets, inventories, trade receivables, other receivables and prepayments and operating cash, and mainly exclude unallocated goodwill, other securities, taxation and non-operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the company operates. Total assets and capital expenditure are where the assets are located. Sales between the geographical segments are eliminated.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(t) Revenue recognition

The Group recognises revenue on the following bases:

(i) Revenue from sale of mobile phones and accessories

Revenue from the sale of mobile phones and accessories is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the mobile phones and accessories are delivered to customers and title has passed. Rebates from suppliers relating to purchase of mobile phones are deducted against the purchase costs of mobile phones.

(ii) Revenue from the provision of inter-city/international telecommunication services using Voice-over-IP ("VoIP") technology

Revenue from the provision of inter-city/international telecommunication services using VoIP technology in the form of sale of prepaid calling cards is recognised based on the usage of cardholders.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Rental income

Rental income is recognised on a straight-line basis over the period of each lease.

(v) Repair service income

Revenue from the provision of repair services for mobile phones is recognised when the services are rendered.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading and distribution of mobile phones and accessories and the provision of inter-city/international telecommunication services using VoIP technology.

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

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

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments

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

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

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

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

notes to the accounts

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format – business segments *(continued)*

	Sales of mobile phones and accessories		Revenue from provision of inter-city/international telecommunication services using VoIP technology		Consolidated	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Segment assets	**1,974,326**	1,704,102	**40,586**	49,394	**2,014,912**	1,753,496
Unallocated corporate assets					**170,897**	164,815
Consolidated total assets					**2,185,809**	1,918,311
Segment liabilities	**(1,310,958)**	(1,120,001)	**(29,253)**	(25,678)	**(1,340,211)**	(1,145,679)
Unallocated corporate liabilities					**(25,387)**	(15,965)
Consolidated total liabilities					**(1,365,598)**	(1,161,644)
Minority interests					**(376)**	(7,272)
					(1,365,974)	(1,168,916)
Capital expenditure	**8,247**	20,204	**512**	12,851	**8,759**	33,055
Depreciation	**8,744**	8,154	**3,941**	3,786	**12,685**	11,940
Impairment charge	**–**	–	**625**	–	**625**	–
Other non-cash expenses	**50,204**	15,873	**6,518**	4,392	**56,722**	20,265

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in five main geographical areas:

Hong Kong	–	trading and distribution of mobile phones and accessories.
	–	provision of inter-city/international telecommunication services using VoIP technology.
Mainland China	–	trading and distribution of mobile phones and accessories.
Malaysia	–	trading and distribution of mobile phones and accessories.
The Philippines	–	trading and distribution of mobile phones and accessories.
The U.K.	–	trading of mobile phones and accessories.
	–	provision of inter-city/international telecommunication services using VoIP technology.

	Turnover 2004 HK$'000	Segment results 2004 HK$'000	Total assets 2004 HK$'000	Capital expenditure 2004 HK$'000
Hong Kong	4,655,582	104,835	1,229,506	1,337
Mainland China	89,783	(10,786)	78,314	–
Malaysia	985,236	78,545	504,811	4,212
The U.K.	6,885	(4,770)	3,160	–
The Philippines	105,903	9,550	47,377	166
Other countries	339,742	(24,645)	151,744	3,044
	6,183,131	152,729	2,014,912	8,759
Unallocated costs		(28,952)		–
Interest income		5,106		
Operating profit		128,883		
Unallocated assets			170,897	
Total assets/capital expenditure			2,185,809	8,759

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments *(continued)*

	Turnover 2003 HK$'000	Segment results 2003 HK$'000	Total assets 2003 HK$'000	Capital expenditure 2003 HK$'000
Hong Kong	4,499,040	118,922	1,154,625	4,976
Mainland China	227,506	(23,788)	101,503	–
Malaysia	941,701	60,159	354,197	15,484
The U.K.	163,306	(6,392)	5,181	799
The Philippines	62,652	(2,850)	49,434	58
Other countries	297,746	170	88,556	11,738
	6,191,951	146,221	1,753,496	33,055
Unallocated costs		(33,825)		–
Interest income		4,652		
Operating profit		117,048		
Unallocated assets			164,815	
Total assets/capital expenditure			1,918,311	33,055

3 COST OF SALES

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

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

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

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

5 FINANCE COSTS

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

6 TAXATION

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

Notes:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the year.

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

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable profits tax rate prevailing in the main country in which the Group operates and the difference is set out as follows:

	2004 HK$'000	2003 HK$'000
Profit before taxation	**96,087**	83,831
Calculated at a tax rate of 17.5% (2003: 17.5%)	**16,815**	14,670
Effect of different taxation rates in other countries	**6,555**	7,569
Income not subject to taxation	**(613)**	(407)
Expenses not deductible for taxation purposes	**6,170**	7,486
Utilisation of previously unrecognised tax losses	**(1,648)**	(2,991)
Under/(over) provision in prior years	**1,169**	(2,371)
Tax losses not recognised	**11,681**	2,287
Taxation charge	**40,129**	26,243

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$16,664,000 (2003: HK$411,000).

8 DIVIDEND

	2004 HK$'000	2003 HK$'000
2004 final, proposed of HK0.5 cent (2003: Nil) per share	**9,728**	–

At a meeting of the board of Directors held on 22nd March, 2005, the Directors proposed a final dividend of HK0.5 cent per share for the year ended 31st December, 2004. This proposed dividend is not reflected as a dividend payable in these accounts until it is to be approved at the annual general meeting, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2005.

9 EARNINGS PER SHARE

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

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

10 RETIREMENT BENEFIT COSTS

	2004 HK$'000	2003 HK$'000
Retirement benefit costs	**5,932**	4,934

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated by the governments of respective countries and the defined contribution schemes operated in Hong Kong (collectively the "Retirement Schemes"). Contributions totalling approximately HK$981,000 (2003: HK$640,000) payable to the Retirement Schemes at the year end are included in other payables and accrued charges.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the Directors during the year are as follows:

	2004 HK$'000	2003 HK$'000
Fees	**900**	900
Salaries, allowances and benefits in kind	**10,433**	10,639
Bonuses	**1,800**	1,800
Retirement benefit costs	**142**	142
	13,275	13,481

Each of the three independent non-executive Directors of the Company received only Director's fees for the year ended 31st December, 2004 of approximately HK$300,000 (2003: HK$300,000).

The three executive Directors received individual emoluments for the year ended 31st December, 2004 of approximately HK$5,940,000 (2003: HK$6,134,000), HK$3,800,000 (2003: HK$3,812,000) and HK$2,635,000 (2003: HK$2,635,000).

The quarters provided to two executive Directors are included as part of their emoluments.

132,125,000 share options were granted to the three executive Directors under the pre-listing share option plan (the "Pre-Listing Share Option Plan") approved and adopted by the written resolutions of the shareholders of the Company dated 15th December, 2000. Under the Pre-Listing Share Option Plan, each option holder entitles to subscribe for the specified number of shares in the Company at HK$0.82 each in stages commencing six months from 29th December, 2000 (the "Listing Date") and in any stages, no later than three years from the date of the exercise of the options. Options to subscribe for 39,637,500 shares lapsed during the year ended 31st December, 2004 due to the expiry of the option period in accordance with the terms of the Pre-Listing Share Option Plan. During the year, no options had been exercised by the Directors.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	2004 HK$'000	2003 HK$'000
Directors	**12,375**	12,581
Employees	**4,734**	5,159
	17,109	17,740

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals *(continued)*

Details of the aggregate emoluments paid and payable to the employees are as follows:

	2004 **HK$'000**	2003 HK$'000
Salaries, allowances and benefits in kind	**3,240**	3,731
Bonuses	**1,449**	30
Retirement benefit costs	**45**	965
Compensation for loss of office (non-contractual payments)	**–**	433
	4,734	5,159

The emoluments of employees fell within the following bands:

	Number of individuals	
Emolument bands	**2004**	2003
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	1
	2	2

Save as disclosed above, during the year, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

12 INTANGIBLE ASSETS

	Group		
	Goodwill (note (i)) HK$'000	**Distribution right** (note (ii)) HK$'000	**Total** HK$'000
Cost			
At 1st January, 2004 and 31st December, 2004	19,384	12,300	31,684
Accumulated amortisation			
At 1st January, 2004	5,815	1,794	7,609
Charge for the year	3,877	3,075	6,952
At 31st December, 2004	9,692	4,869	14,561
Net book value			
At 31st December, 2004	9,692	7,431	17,123
At 31st December, 2003	13,569	10,506	24,075

Notes:

(i) It represents goodwill arising from acquisition of Chi Telecom Pty Ltd and Chi Tel Limited (note 14(ii)) and is amortised over a period of 5 years on a straight-line basis.

(ii) It represents acquired distribution right of mobile phones and is amortised over a period of 4 years on a straight-line basis.

13 FIXED ASSETS

	Group					
	Freehold properties HK$'000	Leasehold properties HK$'000	Leasehold improve-ments HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost or valuation						
At 1st January, 2004	16,759	33,110	4,829	12,255	45,305	112,258
Exchange differences	212	–	3	55	795	1,065
Additions	–	–	1,112	960	6,687	8,759
Disposals	–	–	–	(457)	(70)	(527)
Dissolution of a subsidiary	–	–	–	–	(695)	(695)
Revaluation	(558)	15,520	–	–	–	14,962
At 31st December, 2004	**16,413**	**48,630**	**5,944**	**12,813**	**52,022**	**135,822**
Accumulated depreciation and impairment losses						
At 1st January, 2004	–	–	3,382	6,081	18,161	27,624
Exchange differences	4	–	5	12	370	391
Charge for the year	554	1,089	657	2,256	8,129	12,685
Disposals	–	–	–	(184)	(48)	(232)
Dissolution of a subsidiary	–	–	–	–	(654)	(654)
Revaluation	(558)	(1,089)	–	–	–	(1,647)
Impairment charge	–	–	–	–	625	625
At 31st December, 2004	**–**	**–**	**4,044**	**8,165**	**26,583**	**38,792**
Net book value						
At 31st December, 2004	**16,413**	**48,630**	**1,900**	**4,648**	**25,439**	**97,030**
At 31st December, 2003	16,759	33,110	1,447	6,174	27,144	84,634

13 FIXED ASSETS *(continued)*

The analysis of the cost or valuation at 31st December, 2004 and 2003 of the above assets is as follows:

	Group					
	Freehold properties HK$'000	Leasehold properties HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At cost	**–**	**–**	**5,944**	**12,813**	**52,022**	**70,779**
At 2004 valuation						
– by Directors	**5,616**	**–**	**–**	**–**	**–**	**5,616**
– by independent professional valuers	**10,797**	**48,630**	**–**	**–**	**–**	**59,427**
At 31st December, 2004	**16,413**	**48,630**	**5,944**	**12,813**	**52,022**	**135,822**
At cost	–	–	4,829	12,255	45,305	62,389
At 2003 professional valuation	16,759	33,110	–	–	–	49,869
At 31st December, 2003	16,759	33,110	4,829	12,255	45,305	112,258
Net book value of assets under finance leases:						
At 31st December, 2004	**–**	**–**	**–**	**2,883**	**–**	**2,883**
At 31st December, 2003	–	–	–	3,684	–	3,684

The Group's interests in freehold properties and leasehold properties, which located in and outside Hong Kong, are analysed at their net book values as follows:

	Group			
	Freehold properties		Leasehold properties	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
In Hong Kong				
Leases between 10 to 50 years	**–**	–	**48,630**	33,110
Outside Hong Kong				
Freehold	**16,413**	16,759	**–**	–
At 31st December	**16,413**	16,759	**48,630**	33,110

13 FIXED ASSETS *(continued)*

On 19th October, 2004, the Group entered into a sale and purchase agreement with a third party to dispose of a freehold property in Australia with a net book value of HK$5,616,000 at a consideration of HK$5,804,000. The completion date of this transaction was 31st January, 2005. At 31st December, 2004, with reference to the consideration of this transaction, the Directors revalued the freehold property in Australia held by the Group at HK$5,616,000. The leasehold properties located in Hong Kong and the freehold property located outside Hong Kong were revalued by BMI Appraisals Limited and Khong & Jaafar Sdn. Bhd. respectively, independent professional valuers, on the basis of their open market value as at 31st December, 2004.

The carrying value of leasehold properties and freehold properties as at 31st December, 2004 would have been approximately HK$36,338,000 (2003: HK$37,820,000) and HK$16,529,000 (2003: HK$16,875,000) respectively had these properties been stated at cost less accumulated depreciation.

At 31st December, 2004, certain properties and a motor vehicle with an aggregate net book value of approximately HK$61,674,000 (2003: HK$47,802,000) have been pledged to banks to secure the Group's banking facilities (note 22(d)).

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 **HK$'000**	2003 HK$'000
Unlisted shares, at cost	**159,823**	159,823
Amounts due from subsidiaries (note (i))	**366,205**	354,434
	526,028	514,257

Notes:

(i) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayments.

(ii) In June 2002, the Group acquired 70% equity interest in Chi Telecom Pty Ltd and Chi Tel Limited from China Huge International Limited (the "Seller") pursuant to a shares sale agreement dated 4th April, 2002 (the "Agreement") at total consideration of HK$22,159,000, comprising consideration shares of HK$9,912,000 and cash considerations of HK$12,247,000 which were settled by 5 instalments up to June 2003. These subsidiaries are principally engaged in the provision of inter-city/international telecommunication services using VoIP technology.

Pursuant to the Agreement, the Seller and one of its directors (the "Parties") have provided profit guarantees to the Group for the two years ended 31st December, 2003 (the "Profit Guarantee"). Any shortfall to or excess over the amounts of the Profit Guarantee will be an adjustment to the goodwill, which is calculated based on terms of the Agreement.

In March 2004, the Group and the Parties entered into a supplemental agreement pursuant to which both parties agreed to waive the obligations arising from the Profit Guarantee. Accordingly, there was no adjustment to the goodwill as a result of the waiver.

(iii) First Mobile Japan Co. Ltd., First Mobile UK Limited and Freedomobile Limited were dissolved during the year which resulted in a net gain of HK$2,941,000.

(iv) Particulars of principal subsidiaries are set out in note 27 to the accounts.

15 INVENTORIES

	Group 2004 HK$'000	Group 2003 HK$'000
Merchandises, at cost	**459,166**	345,245
Provision	**(34,905)**	(9,298)
	424,261	335,947

At 31st December, 2004, the carrying amount of inventories that are carried at net realisable value amounted to HK$82,429,000 (2003: HK$62,991,000).

16 OTHER SECURITIES

	Group 2004 HK$'000	Group 2003 HK$'000
Equity securities, at fair value		
– listed outside Hong Kong	**116**	77
Money market fund, at fair value		
– unlisted	**571**	522
	687	599
Market value of listed securities	**116**	77

17 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, 2004, the ageing analysis of the trade receivable was as follows:

	Group 2004 HK$'000	Group 2003 HK$'000
1-30 days	**397,924**	392,910
31-60 days	**305,607**	290,852
61-90 days	**221,209**	87,715
91-120 days	**22,062**	26,440
Over 120 days	**57,741**	60,476
Less: provision	**(29,894)**	(20,969)
	974,649	837,424

18 BANK BALANCES AND CASH

(i) Bank balances and cash as at 31st December, 2004 of approximately HK$11,395,000 (2003: HK$671,000), HK$208,931,000 (2003: HK$139,435,000) and HK$2,390,000 (2003: HK$2,453,000) were denominated in Renminbi, Malaysia Ringgits and India Rupees respectively. These amounts are not freely convertible to other currencies except for settlement of purchase of goods and other provisions as stipulated in the exchange control policies of respective countries.

(ii) Bank balances and cash as at 31st December, 2004 of approximately HK$387,354,000 (2003: HK$337,589,000) were fixed deposits pledged as collateral for the Group's short-term banking facilities.

19 TRADE PAYABLE

At 31st December, 2004, the ageing analysis of the trade payable was as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
1-30 days	**186,120**	255,569
31-60 days	**130,889**	32,524
61-90 days	**44,849**	650
91-120 days	**45,399**	–
Over 120 days	**15,695**	6,035
	422,952	294,778

20 SHARE CAPITAL

	Number of shares of HK$0.10 each	**HK$'000**
Authorised:		
At 31st December, 2004 and 2003	3,000,000,000	300,000
Issued and fully paid:		
At 31st December, 2004 and 2003	1,945,696,565	194,570

20 SHARE CAPITAL *(continued)*

Note:

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.

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.

(i) *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 opinion.

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

As at 31st December, 2004, no options under this scheme had been granted.

(ii) *Pre-Listing Share Option Plan*

On 15th December, 2000, the Company granted share options under the Pre-Listing Share Option Plan to the Directors and certain employees of the Group, which entitles them to subscribe for a total of 174,965,000 Shares at HK$0.82 per share. Pursuant to the Pre-Listing Share Option Plan, the 3 executive Directors 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.

Following the adoption of the 2003 Share Option Scheme and the termination of the 2000 Share Option Scheme on 29th April, 2003, the 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.

20 SHARE CAPITAL *(continued)*

Note: *(continued)*

Share option schemes *(continued)*

(ii) *Pre-Listing Share Option Plan (continued)*

Share options outstanding at the end of the year have the following terms:

Final expiry date	Exercise price HK$	Number of options: Outstanding at 1st January 2004	Number of options: Lapsed during the year	Number of options: Outstanding at 31st December 2004	Vested percentage at 31st December 2004	Vested percentage at 31st December 2003
Directors						
30th June, 2006	HK$0.82	**132,125,000**	**(39,637,500)**	**92,487,500**	**100%**	100%
Senior management staff						
30th June, 2006	HK$0.82	**8,750,000**	**(5,075,000)**	**3,675,000**	**100%**	100%
Other employees						
30th June, 2006	HK$0.82	**3,648,750**	**(1,437,625)**	**2,211,125**	**100%**	100%
		144,523,750	**(46,150,125)**	**98,373,625**		

No options (2003: Nil) had been exercised or cancelled during the year ended 31st December, 2004.

21 RESERVES

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

	Share premium HK$'000	Properties revaluation reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Reserve fund (note (i)) HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January, 2004	**127,258**	**3,120**	**3,994**	**162**	**4,872**	**(233)**	**415,652**	**554,825**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**(1,033)**	**–**	**(1,033)**
Surplus on revaluation of properties								
– gross	**–**	**12,043**	**–**	**–**	**–**	**–**	**–**	**12,043**
– taxation (note 26)	**–**	**(2,632)**	**–**	**–**	**–**	**–**	**–**	**(2,632)**
Profit attributable to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**63,072**	**63,072**
Release of reserves upon dissolution of subsidiaries	**–**	**–**	**(5)**	**–**	**–**	**(1,005)**	**–**	**(1,010)**
Balance at 31st December, 2004	**127,258**	**12,531**	**3,989**	**162**	**4,872**	**(2,271)**	**478,724**	**625,265**
Representing:								
Reserves	**127,258**	**12,531**	**3,989**	**162**	**4,872**	**(2,271)**	**468,996**	**615,537**
Proposed final dividend (note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**9,728**	**9,728**
	127,258	**12,531**	**3,989**	**162**	**4,872**	**(2,271)**	**478,724**	**625,265**
Retained by:								
Company and subsidiaries	**127,258**	**12,531**	**3,989**	**162**	**4,872**	**(2,271)**	**478,724**	**625,265**
Balance at 1st January, 2003	127,258	3,067	3,994	162	4,872	63	379,665	519,081
Exchange differences	–	–	–	–	–	(296)	–	(296)
Net surplus on revaluation of properties	–	53	–	–	–	–	–	53
Profit attributable to shareholders	–	–	–	–	–	–	55,444	55,444
2002 final dividend	–	–	–	–	–	–	(19,457)	(19,457)
Balance at 31st December, 2003	127,258	3,120	3,994	162	4,872	(233)	415,652	554,825
Retained by:								
Company and subsidiaries	127,258	3,120	3,994	162	4,872	(233)	415,652	554,825

21 RESERVES *(continued)*

	Company		
	Share premium (note (ii)) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January, 2004	**287,000**	**31,964**	**318,964**
Profit for the year	**–**	**16,664**	**16,664**
At 31st December, 2004	**287,000**	**48,628**	**335,628**
Representing:			
Reserves	**287,000**	**38,900**	**325,900**
Proposed final dividend (note 8)	**–**	**9,728**	**9,728**
	287,000	**48,628**	**335,628**
At 1st January, 2003	287,000	51,010	338,010
Profit for the year	–	411	411
2002 final dividend	–	(19,457)	(19,457)
At 31st December, 2003	287,000	31,964	318,964

Notes:

(i) In accordance with the relevant regulations in the People's Republic of China (the "PRC") applicable to wholly foreign owned enterprises, the PRC subsidiary of the Group is required to appropriate to the reserve fund an amount of not less than 10% of 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.

(ii) Pursuant to the Companies Law (1998 Revision) of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the shareholders. At 31st December, 2004, in the opinion of the Directors, the Company's reserves available for distribution to shareholders comprising share premium account and retained earnings, amounted in total to approximately HK$335,628,000 (2003: HK$318,964,000).

22 LONG-TERM LIABILITIES

	Group 2004 HK$'000	2003 HK$'000
Bank loans (note (b))		
– secured (note (d))	**7,310**	10,348
– unsecured	**–**	32,000
	7,310	42,348
Obligations under finance leases (note (c))	**2,171**	2,729
	9,481	45,077
Current portion of long-term liabilities	**(4,131)**	(36,050)
	5,350	9,027

Notes:

(a) The analysis of the above is as follows:

	2004 HK$'000	2003 HK$'000
Bank loans		
Wholly repayable within five years	**7,310**	42,348
Obligations under finance leases		
Wholly repayable within five years	**1,933**	651
Not wholly repayable within five years	**238**	2,078
	9,481	45,077
Current portion of long-term liabilities	**(4,131)**	(36,050)
	5,350	9,027

(b) At 31st December, 2004, the Group's bank loans were repayable as follows:

	2004 HK$'000	2003 HK$'000
Within one year	**3,241**	35,171
In the second year	**273**	3,240
In the third to fifth year	**3,796**	3,937
	7,310	42,348

22 LONG-TERM LIABILITIES *(continued)*

Notes: *(continued)*

(c) At 31st December, 2004, the Group's outstanding obligations under finance leases were repayable as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Within one year	**1,063**	1,073
In the second year	**687**	999
In the third to fifth year	**791**	1,230
After the fifth year	**77**	20
	2,618	3,322
Future finance charges on finance leases	**(447)**	(593)
Present value of finance lease liabilities	**2,171**	2,729

The present value of finance lease liabilities was analysed as follows:

	2004	2003
	HK$'000	HK$'000
Within one year	**890**	879
In the second year	**559**	833
In the third to fifth year	**658**	1,000
After the fifth year	**64**	17
	2,171	2,729

Interest is charged on the outstanding obligations under finance leases at rates ranging from 3% to 5% (2003: 3% to 5%) per annum.

(d) At 31st December, 2004, certain properties and a motor vehicle of the Group with an aggregate net book value of approximately HK$61,674,000 (2003: HK$47,802,000) have been pledged to banks to secure the Group's banking facilities (note 13).

(e) All current and future assets of a subsidiary in Australia with a personal guarantee from a director of that subsidiary are also pledged as security for a general banking facility. The gross assets of the subsidiary as at 31st December, 2004 (including a freehold property with a net book value of approximately HK$5,616,000 (2003: HK$5,894,000) in note (d) above) was approximately HK$19,154,000 (2003: HK$23,898,000) and the related bank loan drawdown was approximately HK$3,796,000 (2003: HK$3,665,000).

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2004 HK$'000	2003 HK$'000
Operating profit	**128,883**	117,048
Depreciation	**12,685**	11,940
Amortisation of intangible assets	**6,952**	5,671
Interest income	**(5,106)**	(4,652)
Loss on disposal of fixed assets other than properties	**138**	2,692
(Reversal of deficit)/deficit on revaluation of properties	**(4,566)**	620
Unrealised gain on other securities	**(39)**	(33)
Gain on disposal of a jointly controlled entity	**–**	(5)
Impairment of fixed assets	**625**	–
Gain on dissolution of subsidiaries	**(2,941)**	–
Operating profit before working capital changes	**136,631**	133,281
Increase in inventories	**(88,314)**	(96,590)
(Increase)/decrease in trade and other receivables and prepayments	**(102,824)**	1,686
Increase in bills payable	**40,319**	81,414
Increase in trade and other payables and accrued charges	**166,452**	77,941
Cash generated from operations	**152,264**	197,732

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under finance leases	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
At 1st January	**321,828**	321,828	**7,272**	4,685	**572,192**	656,649
Exchange differences	**–**	–	**218**	33	**136**	43
Minority's share of (loss)/profit and exchange reserves	**–**	–	**(7,114)**	2,144	**–**	–
Capital contribution from a minority shareholder of a subsidiary	**–**	–	**–**	410	**–**	–
Inception of finance leases (note (c))	**–**	–	**–**	–	**363**	1,392
Interest element of finance leases charged to profit and loss account	**–**	–	**–**	–	**195**	340
Cash outflow from financing	**–**	–	**–**	–	**(14,871)**	(86,232)
At 31st December	**321,828**	321,828	**376**	7,272	**558,015**	572,192

(c) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the contracts of HK$363,000 (2003: HK$1,392,000).

(d) Analysis of balances of cash and cash equivalents

	2004 HK$'000	2003 HK$'000
Bank balances and cash – non-pledged	**157,383**	132,759
Unsecured bank overdrafts	**(10,498)**	(2,758)
	146,885	130,001

24 CONTINGENT LIABILITIES

	Company	
	2004	2003
	HK$'000	HK$'000
Facilities utilised under guarantees executed in favour of banks for securing banking facilities granted to subsidiaries	**793,769**	728,861

As at 31st December, 2004, the total guarantees executed in favour of banks for securing banking facilities granted to subsidiaries are HK$984,166,000 (2003: HK$1,086,805,000).

Management anticipates that no material liabilities will arise from the above bank guarantees which arose in the ordinary course of business.

25 COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	Group	
	2004	2003
	HK$'000	HK$'000
Contracted but not provided for	**–**	2,233

(b) Commitments under operating leases

(i) At 31st December, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipments	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**10,120**	9,586	**31**	22
Later than one year and not later than five years	**5,802**	13,481	**104**	92
Later than five years	**–**	39	**–**	–
	15,922	23,106	**135**	114

25 COMMITMENTS *(continued)*

(b) Commitments under operating leases *(continued)*

(ii) At 31st December, 2004, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2004 **HK$'000**	2003 HK$'000
Land and buildings		
Not later than one year	**914**	914
Later than one year and not later than five years	**151**	1,056
	1,065	1,970

(c) Other commitments

At 31st December, 2004, the Group had approximately HK$53,498,000 (2003: HK$141,963,000) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

26 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the net deferred tax assets account is as follows:

	Group	
	2004 **HK$'000**	2003 HK$'000
At 1st January	**3,587**	–
Deferred taxation credited to profit and loss account (note 6)	**1,947**	3,391
Taxation charged to equity (note 21)	**(2,632)**	–
Exchange differences	**–**	196
At 31st December	**2,902**	3,587

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$64,153,000 (2003: HK$19,358,000) to carry forward against future taxable income.

26 DEFERRED TAXATION *(continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Provisions		Accelerated tax depreciation		Tax losses		Others		Total	
	2004 HK$	2003 HK$	**2004 HK$**	2003 HK$	**2004 HK$**	2003 HK$	**2004 HK$**	2003 HK$	**2004 HK$**	2003 HK$
At 1st January	**5,272**	–	**(1,256)**	–	**2,981**	–	**(3,410)**	–	**3,587**	–
Charged/(credited) to profit and loss account	**2,277**	5,272	**598**	(1,256)	**(2,849)**	2,981	**1,921**	(3,410)	**1,947**	3,587
Taxation charged to equity	**–**	–	**(2,632)**	–	**–**	–	**–**	–	**(2,632)**	–
At 31st December	**7,549**	5,272	**(3,290)**	(1,256)	**132**	2,981	**(1,489)**	(3,410)	**2,902**	3,587

	2004 HK$'000	2003 HK$'000
Deferred tax assets	**4,219**	4,576
Deferred tax liabilities	**(1,317)**	(989)
	2,902	3,587
The amounts shown in the balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	**4,219**	4,576
Deferred tax liabilities to be settled after more than 12 months	**(1,317)**	(989)

27 PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries which principally affect the results or assets of the Group.

	Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2004	Group equity interest 2003	Principal activities
	Direct subsidiary:						
	E-Tech Resources Limited	British Virgin Islands	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding and provision for management services
	Indirect subsidiaries:						
	Chi Tel Global Holdings Limited	British Virgin Islands	British Virgin Islands	200 shares of US$1 each	**70%**	70%	Investment holding
[1]	Chi Tel Canada Ltd.	Canada	Canada	100 shares of CAD0.01 each	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology
[1]	Chi Tel France SARL	France	France	500 shares of 15 Euro each	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology
[1]	Chi Tel USA Corp.	The U.S.	The U.S.	100 shares of no par value	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology
	Chi Telecom Pty Ltd	Australia	Australia	1,175,100 ordinary shares of AUD1 each	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology
	Chi Tel Limited	Hong Kong	Hong Kong	100 shares of HK$1 each	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology

27 PRINCIPAL SUBSIDIARIES *(continued)*

	Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2004	Group equity interest 2003	Principal activities
	Indirect subsidiaries: *(continued)*						
	Chi Tel NZ Limited	New Zealand	New Zealand	100 ordinary shares of no par value	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology
1	Chi-Tel UK Limited	The U.K.	The U.K.	1 ordinary share of GBP1	**70%**	70%	Provision of inter-city/international telecommunication services using VoIP technology
1	Contact Mobile Pte Ltd	Singapore	Singapore	10,000 ordinary shares of S$1 each	**100%**	100%	Sale of pre-pay cards for logo downloadings and trading of mobile phones
	East-Tel International Limited	Hong Kong	Hong Kong	20,000 shares of HK$1 each	**100%**	100%	Trading of mobile phones
	Exquisite Model Sdn. Bhd.	Malaysia	Malaysia	1,000,000 ordinary shares of RM1 each	**100%**	100%	Trading and retailing of mobile phones
	Evertech (H.K.) Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	After sales service for mobile phones
	First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500,000 shares of P1 each	**100%**	100%	Trading and distribution of mobile phones
	First E-Pro Limited	Hong Kong	Hong Kong	10,000 shares of HK$1 each	**100%**	100%	Investment holding
	First Mobile Group Sdn. Bhd.	Malaysia	Malaysia	500,000 ordinary shares of RM1 each	**100%**	100%	Trading and distribution of mobile phones

27 PRINCIPAL SUBSIDIARIES *(continued)*

Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest 2004	Group equity interest 2003	Principal activities
Indirect subsidiaries: *(continued)*						
First Mobile (North China) Limited	Hong Kong	Hong Kong	15,000 shares of HK$1 each	**100%**	100%	Investment holding
[1] First Mobile India Private Limited	India	India	548,690 equity shares of INR10 each	**100%**	100%	Trading and distribution of mobile phones
First Telecom International Limited	Hong Kong	Hong Kong	50,000,000 ordinary shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
			3,019,944 non-voting deferred shares of HK$1 each	**–**	–	
Lets Do Mobile Philippines Inc.	Republic of the Philippines	Republic of the Philippines	992,500 shares of P1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile Concept Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile Distribution (M) Sdn. Bhd.	Malaysia	Malaysia	200,000 ordinary shares of RM1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile Distribution Inc.	Republic of the Philippines	Republic of the Philippines	5,000 shares of P1 each	**100%**	100%	Trading and distribution of mobile phones
[1] Mobileperformances SARL	France	France	850 shares of 10 Euro each	**100%**	100%	Trading of mobile phones
Powercom (Hong Kong) Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
[1] Precision SARL	France	France	850 shares of 10 Euro each	**100%**	100%	Trading of mobile phones

27 PRINCIPAL SUBSIDIARIES *(continued)*

Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group equity interest		Principal activities
				2004	2003	
Indirect subsidiaries: *(continued)*						
Shanghai Fast Telcon Equipment International Trading Co., Ltd.	The People's Republic of China	The People's Republic of China	US$1,250,000	**100%**	100%	Trading and distribution of mobile phones

Except for Shanghai Fast Telcon Equipment International Trading Co., Ltd. which is a wholly owned foreign enterprise established in the PRC and a company limited by the registered capital, all other subsidiaries are companies limited by shares.

[1] Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets, turnover and loss before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 11.42%, 4.32% and -16.72% (2003: 9.2%, 6.1% and -12.45%) of the Group's net assets, turnover and profit before taxation respectively.

28 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 22nd March, 2005.

CONSOLIDATED RESULTS

	2000 HK$'000	2001 HK$'000	2002 HK$'000	2003 HK$'000	**2004 HK$'000**
Turnover	3,124,388	5,329,555	6,272,570	6,191,951	**6,183,131**
Operating profit	193,042	225,523	176,909	117,048	**128,883**
Finance costs	(11,011)	(15,823)	(31,643)	(33,051)	**(32,796)**
Share of profit/(loss) of jointly controlled entities	–	–	190	(166)	**–**
Profit before taxation	182,031	209,700	145,456	83,831	**96,087**
Taxation	(35,984)	(49,109)	(36,832)	(26,243)	**(40,129)**
Profit after taxation	146,047	160,591	108,624	57,588	**55,958**
Minority interests	(1,632)	2,825	(155)	(2,144)	**7,114**
Profit attributable to shareholders	144,415	163,416	108,469	55,444	**63,072**
Dividends	30,000	35,000	38,914	–	**9,728**

CONSOLIDATED ASSETS AND LIABILITIES

	2000 HK$'000	2001 HK$'000	2002 HK$'000	2003 HK$'000	**2004 HK$'000**
Non-current assets	67,738	65,414	97,396	113,285	**118,372**
Current assets	864,344	1,357,118	1,696,529	1,805,026	**2,067,437**
Current liabilities	565,037	821,968	1,035,183	1,151,628	**1,358,931**
Non-current liabilities	12,706	94,286	40,406	10,016	**6,667**
Shareholders' funds	349,112	503,876	713,651	749,395	**826,878**

Note:

The above financial summary as of and for the years ended 31st December, 2003 and 2004 have been extracted from the audited accounts of the Group as set out on pages 26 to 28 of the annual report.

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