



**FIRST MOBILE GROUP HOLDINGS LIMITED**  
**(第一電訊集團有限公司)\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8110)

**HALF-YEAR RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

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

\* For identification purpose only

## **HIGHLIGHTS**

For the six months ended 30th June, 2008, First Mobile Group Holdings Limited and its subsidiaries recorded satisfactory results despite a challenging environment. Highlights of the six months' performance are as follows:

- Turnover was approximately HK\$3,603 million, representing a decrease of 10.5% over the same period of 2007
- Number of mobile phones sold was approximately 2.6 million units
- Gross profit was approximately HK\$161 million, representing a decrease of 20.4% over the same period of 2007
- Profit attributable to equity holders of the Company was approximately HK\$17 million, representing a decrease of 61.1% over the same period of 2007
- Earnings per share was HK0.87 cent

## INTERIM FINANCIAL STATEMENTS

The directors (the “Directors”) of First Mobile Group Holdings Limited (the “Company”) announce the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the three months and the six months ended 30th June, 2008 (the “Periods”) together with the unaudited comparative figures:

### Unaudited Condensed Consolidated Profit and Loss Account

For the three months and the six months ended 30th June, 2008

	Note	Three months ended		Six months ended	
		30th June,		30th June,	
		2008	2007	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenues	2	<b>1,594,245</b>	1,890,372	<b>3,605,309</b>	4,026,309
Cost of sales		<b>(1,521,649)</b>	(1,782,025)	<b>(3,443,967)</b>	(3,823,567)
Gross profit		<b>72,596</b>	108,347	<b>161,342</b>	202,742
Selling and distribution expenses		<b>(13,554)</b>	(15,799)	<b>(29,155)</b>	(30,683)
General and administrative expenses		<b>(38,916)</b>	(50,927)	<b>(73,615)</b>	(86,873)
Other income	3	<b>6,890</b>	3,568	<b>1,360</b>	1,015
Other expenses	3	<b>(909)</b>	(834)	<b>(4,095)</b>	(3,628)
Operating profit	4	<b>26,107</b>	44,355	<b>55,837</b>	82,573
Finance income	5	<b>3,136</b>	5,079	<b>6,578</b>	9,008
Finance costs	5	<b>(16,254)</b>	(17,632)	<b>(32,756)</b>	(36,551)
Profit before taxation		<b>12,989</b>	31,802	<b>29,659</b>	55,030
Taxation	6	<b>(4,395)</b>	(3,731)	<b>(12,712)</b>	(11,422)
Profit for the period		<b><u>8,594</u></b>	<u>28,071</u>	<b><u>16,947</u></b>	<u>43,608</u>
Attributable to:					
Equity holders of the Company		<b>8,594</b>	28,071	<b>16,947</b>	43,620
Minority interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>(12)</u>
		<b><u>8,594</u></b>	<u>28,071</u>	<b><u>16,947</u></b>	<u>43,608</u>
Basic and diluted earnings per share	7	<b><u>HK0.44 cent</u></b>	<u>HK1.44 cents</u>	<b><u>HK0.87 cent</u></b>	<u>HK2.24 cents</u>
Dividend	8	<u>-</u>	<u>9,728</u>	<u>-</u>	<u>9,728</u>

## Unaudited Condensed Consolidated Balance Sheet

As at 30th June, 2008

		(audited)
		31st December,
		2007
	Note	HK\$'000
		30th June, 2008 HK\$'000
Non-current assets		
Investment in an associated company		1,231
Investment property	9	9,234
Leasehold land	9	23,308
Fixed assets	9	48,298
Deferred tax assets		18,069
		<u>100,140</u>
		<u>103,063</u>
Current assets		
Inventories		420,051
Financial assets at fair value through profit or loss		739
Trade receivables	10	1,801,982
Other receivables and prepayments		102,043
Tax recoverable		11,667
Derivative financial instruments		578
Bank balances and cash		416,407
– pledged		148,959
– not pledged		124,279
		<u>2,902,426</u>
		<u>2,753,508</u>
Current liabilities		
Trade payables	11	866,941
Bills payables		314,155
Other payables and accrued charges		101,918
Current portion of long-term liabilities		9,204
Taxation payable		9,805
Bank loans & overdrafts		722,272
– secured		8,329
– unsecured		10,648
		<u>2,032,624</u>
		<u>1,900,145</u>
Net current assets		<u>869,802</u>
		<u>853,363</u>
Total assets less current liabilities		<u>969,942</u>
		<u>956,426</u>
Capital and reserves attributable to the Company's equity holders		
Share capital		194,570
Reserves		762,527
		<u>957,097</u>
Total equity		947,349
Non-current liabilities		
Long-term liabilities		8,749
Deferred tax liabilities		4,096
		<u>12,845</u>
		<u>7,115</u>
		<u>1,962</u>
		<u>969,942</u>
		<u>956,426</u>

## Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2008

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Net cash (used in)/from operating activities	(272,373)	252,654
Net cash from/(used in) investing activities	35,935	(80,980)
Net cash from/(used in) financing activities	263,873	(85,562)
Effects of foreign exchange rate changes	(436)	4,863
	<hr/>	<hr/>
Net increase in cash and cash equivalents	26,999	90,975
Cash and cash equivalents at 1st January	113,631	122,189
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	<b>140,630</b>	<b>213,164</b>

### Analysis of balances of cash and cash equivalents

	30th June, 2008	30th June, 2007
	HK\$'000	HK\$'000
Bank balances and cash, not pledged	148,959	218,457
Unsecured bank overdrafts	(8,329)	(5,293)
	<hr/>	<hr/>
	<b>140,630</b>	<b>213,164</b>

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Reserve fund HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	
Balance at 1st January, 2008	194,570	127,258	3,982	-	34,376	9,644	577,519	-	947,349
Exchange differences	-	-	-	-	679	-	-	-	679
Profit attributable to equity holders of the Company	-	-	-	-	-	-	16,947	-	16,947
Share-based payments	-	-	-	-	-	1,850	-	-	1,850
2007 final dividend paid	-	-	-	-	-	-	(9,728)	-	(9,728)
Balance at 30th June, 2008	<u>194,570</u>	<u>127,258</u>	<u>3,982</u>	<u>-</u>	<u>35,055</u>	<u>11,494</u>	<u>584,738</u>	<u>-</u>	<u>957,097</u>
Retained by:									
Company and subsidiaries	<u>194,570</u>	<u>127,258</u>	<u>3,982</u>	<u>-</u>	<u>35,055</u>	<u>11,494</u>	<u>584,738</u>	<u>-</u>	<u>957,097</u>
Balance at 1st January, 2007	194,570	127,258	3,989	4,872	20,553	-	523,704	12	874,958
Exchange differences	-	-	-	-	5,706	-	-	-	5,706
Profit attributable to equity holders of the Company	-	-	-	-	-	-	43,620	-	43,620
Release of reserve upon disposal of a subsidiary	-	-	-	-	1,030	-	-	-	1,030
Minority's share of loss for the period	-	-	-	-	-	-	-	(12)	(12)
Balance at 30th June, 2007	<u>194,570</u>	<u>127,258</u>	<u>3,989</u>	<u>4,872</u>	<u>27,289</u>	<u>-</u>	<u>567,324</u>	<u>-</u>	<u>925,302</u>
Retained by:									
Company and subsidiaries	<u>194,570</u>	<u>127,258</u>	<u>3,989</u>	<u>4,872</u>	<u>27,289</u>	<u>-</u>	<u>567,324</u>	<u>-</u>	<u>925,302</u>

## Notes:

### 1. Basis of preparation and accounting policies

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

The accounting policies used in the accounts are consistent with those used in the annual report for the year ended 31st December, 2007 except for the adoption of some new and revised standards stated below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by HKICPA (collectively “HKFRSs”) which are effective for accounting periods beginning on or after 1st March, 2007 or later periods but which the Group has not early adopted. The Group has adopted all HKFRSs which are pertinent to its operations in the accounts for the year ending 31st December, 2008. The applicable HKFRSs are set out below:

HK(IFRIC)-Int 11	HKFRS 2, Group and Treasury Share Transactions
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements

(a) *HK(IFRIC)-Int 11 – HKFRS 2, Group and Treasury Share Transactions (effective from 1st March, 2007)*

This interpretation provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payments transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have any financial impact on the Group’s financial results.

(b) *HKAS 23 (Revised), Borrowing Costs (effective from 1st January, 2009)*

The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st January, 2009 but is currently not applicable to the Group as there are no qualifying assets.

(c) *HKFRS 8, Operating Segments (effective from 1st January, 2009)*

HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, “Disclosures about Segments of an Enterprise and Related Information”. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st January, 2009. The expected impact is still being assessed in detail by management.

(d) *HKAS 1 (Revised), Presentation of Financial Statements (effective from 1st January, 2009)*

HKAS 1 (Revised) “Presentation of Financial Statements” will be effective for the Group’s accounting periods beginning on or after 1st January, 2009. This standard affects the presentation of owner changes in equity and of comprehensive income and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

**2. Revenues, income and segment information**

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

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30th June,</b>		<b>30th June,</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>HK\$’000</b>	HK\$’000	<b>HK\$’000</b>	HK\$’000
Revenues				
Turnover from sales of mobile phones and accessories, net	<b>1,593,146</b>	1,889,458	<b>3,602,986</b>	4,024,529
Rental income				
– investment property	<b>380</b>	231	<b>762</b>	458
– others	<b>636</b>	635	<b>1,419</b>	1,212
Repair service income, net	<b>83</b>	48	<b>142</b>	110
Total	<b><u>1,594,245</u></b>	<u>1,890,372</u>	<b><u>3,605,309</u></b>	<u>4,026,309</u>



*Primary reporting format – business segments*

The Group's segment revenues, expenses, results, assets and liabilities are primarily attributable to trading and distribution of mobile phones and accessories and retail sales of mobile phones and accessories.

Other operations of the Group include the provision of repair services for mobile phones and holding of properties, all of which are of insufficient size to be reported separately.

The analysis of the Group's segment information for the six months ended 30th June, 2008 by business segment is as follows:

	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated	
	Six months ended 30th June, 2008		Six months ended 30th June, 2008		Six months ended 30th June, 2008	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover before inter-segment sales	<b>3,483,942</b>	3,897,089	<b>157,932</b>	160,901	<b>3,641,874</b>	4,057,990
Inter-segment sales	<b>(37,615)</b>	(32,434)	<b>(1,273)</b>	(1,027)	<b>(38,888)</b>	(33,461)
Turnover	<b>3,446,327</b>	3,864,655	<b>156,659</b>	159,874	<b>3,602,986</b>	4,024,529
Unallocated revenues					<b>2,323</b>	1,780
Revenues					<b><u>3,605,309</u></b>	<b><u>4,026,309</u></b>
Segment results	<b>82,066</b>	102,510	<b>(16,645)</b>	(11,635)	<b>65,421</b>	90,875
Unallocated income and expenses, net					<b>(9,584)</b>	(8,302)
Operating profit					<b>55,837</b>	82,573
Finance income					<b>6,578</b>	9,008
Finance costs					<b>(32,756)</b>	(36,551)
Profit before taxation					<b>29,659</b>	55,030
Taxation					<b>(12,712)</b>	(11,422)
Profit for the period					<b><u>16,947</u></b>	<b><u>43,608</u></b>

	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated	
	As at 30th June, 2008 <i>HK\$'000</i>	As at 31st December, 2007 <i>HK\$'000</i>	As at 30th June, 2008 <i>HK\$'000</i>	As at 31st December, 2007 <i>HK\$'000</i>	As at 30th June, 2008 <i>HK\$'000</i>	As at 31st December, 2007 <i>HK\$'000</i>
Segment assets	<b>2,787,390</b>	2,599,026	<b>201,735</b>	194,190	<b>2,989,125</b>	2,793,216
Unallocated assets					<b>13,441</b>	63,355
Total assets					<b><u>3,002,566</u></b>	<b><u>2,856,571</u></b>
Segment liabilities	<b>(1,964,192)</b>	(1,814,505)	<b>(60,487)</b>	(56,939)	<b>(2,024,679)</b>	(1,871,444)
Unallocated liabilities					<b>(20,790)</b>	(37,778)
Total liabilities					<b><u>(2,045,469)</u></b>	<b><u>(1,909,222)</u></b>
	Six months ended 30th June, 2008 <i>HK\$'000</i>		Six months ended 30th June, 2007 <i>HK\$'000</i>		Six months ended 30th June, 2008 <i>HK\$'000</i>	
		2007 <i>HK\$'000</i>		2007 <i>HK\$'000</i>		2007 <i>HK\$'000</i>
Depreciation and amortisation	<b>3,290</b>	4,289	<b>1,045</b>	787	<b>4,335</b>	5,076
Unallocated depreciation					<b>98</b>	89
Total depreciation and amortisation					<b><u>4,433</u></b>	<b><u>5,165</u></b>
Capital expenditure	<b>2,365</b>	4,323	<b>903</b>	1,594	<b>3,268</b>	5,917
Impairment/(reversal of impairment) of trade receivables	<b>2,824</b>	11,552	<b>(1,094)</b>	3,114	<b>1,730</b>	14,666
(Reversal of impairment)/ impairment of inventories	<b><u>(978)</u></b>	<b><u>(17,101)</u></b>	<b><u>(7,065)</u></b>	<b><u>700</u></b>	<b><u>(8,043)</u></b>	<b><u>(16,401)</u></b>

*Secondary reporting format – geographical segments*

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

- Hong Kong – trading and distribution of mobile phones and accessories.  
 – retailing of mobile phones and accessories.
- Malaysia – trading and distribution of mobile phones and accessories.  
 – retailing of mobile phones and accessories.
- The Philippines – trading and distribution of mobile phones and accessories.

	<b>Six months ended 30th June, 2008</b>		<b>As at 30th June, 2008</b>
	<b>Revenues <i>HK\$'000</i></b>	<b>Capital expenditure <i>HK\$'000</i></b>	<b>Total assets <i>HK\$'000</i></b>
Hong Kong	3,097,138	1,513	2,365,100
Malaysia	242,469	1,330	525,473
The Philippines	48,000	422	37,669
Other countries	217,702	3	60,883
	<u>3,605,309</u>	<u>3,268</u>	<u>2,989,125</u>

Unallocated assets			<u>13,441</u>
Total assets			<u><u>3,002,566</u></u>

	<b>Six months ended 30th June, 2007</b>		<b>As at 30th June, 2007</b>
	<b>Revenues <i>HK\$'000</i></b>	<b>Capital expenditure <i>HK\$'000</i></b>	<b>Total assets <i>HK\$'000</i></b>
Hong Kong	3,183,713	1,093	1,976,254
Malaysia	339,144	3,927	751,793
The Philippines	17,728	605	33,842
Other countries	485,724	292	133,203
	<u>4,026,309</u>	<u>5,917</u>	<u>2,895,092</u>

Unallocated assets			<u>119,029</u>
Total assets			<u><u>3,014,121</u></u>

### 3. Other income and expenses

Other income and expenses mainly comprised exchange differences, loss and gain on derivative financial instruments at fair value for the three months and the six months ended 30th June, 2008 respectively.

### 4. Operating profit

Operating profit is stated after charging the following:

	Three months ended		Six months ended	
	30th June,		30th June,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	1,515,407	1,779,218	3,428,396	3,819,678
Depreciation				
– owned fixed assets	1,549	1,513	3,227	3,064
– leased fixed assets	409	199	809	315
– investment property	49	61	98	89
Amortisation of intangible assets	–	572	–	1,411
Amortisation of leasehold land (note 9)	149	143	299	286

### 5. Finance income and costs

	Three months ended		Six months ended	
	30th June,		30th June,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	3,136	5,079	6,578	9,008
Interest expenses on:				
– bank loans and overdrafts	10,711	14,890	20,478	30,389
– finance leases	49	33	94	66
Bank and other charges	5,494	2,709	12,184	6,096
	16,254	17,632	32,756	36,551

## 6. Taxation

	Three months ended		Six months ended	
	30th June, 2008	2007	30th June, 2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax ( <i>note (i)</i> )	814	5,253	2,925	11,626
Overseas taxation ( <i>note (ii)</i> )	2,150	1,408	4,289	2,873
(Over)/under provision of taxation in prior years	(1,337)	(4,078)	59	(4,072)
Deferred taxation	2,768	1,148	5,439	995
	<u>4,395</u>	<u>3,731</u>	<u>12,712</u>	<u>11,422</u>

### Notes:

- (i) Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the Periods.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the Periods at the rates of taxation prevailing in the countries in which the Group operates.

## 7. Earnings per share

Basic and diluted earnings per share for the three months and the six months ended 30th June, 2008 were calculated based on the profit attributable to equity holders of the Company of HK\$8,594,000 and HK\$16,947,000 respectively (2007: HK\$28,071,000 and HK\$43,620,000) and on the weighted average of 1,945,696,565 (2007: 1,945,696,565) shares in issue during the Periods.

The Company's share options do not have a dilutive effect on earnings per share as at 30th June, 2008 (2007: None).

## 8. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2008 (2007: HK0.5 cent per share).

## 9. Investment property, leasehold land and fixed assets

	<b>Investment property</b> <i>HK\$'000</i>	<b>Leasehold land</b> <i>HK\$'000</i>	<b>Fixed assets</b> <i>HK\$'000</i>
Net book value as at 1st January, 2008	9,221	23,607	49,439
Exchange differences	111	–	233
Additions	–	–	3,268
Amortisation/depreciation	(98)	(299)	(4,036)
Disposals	–	–	(606)
	<u>9,234</u>	<u>23,308</u>	<u>48,298</u>
Net book value as at 30th June, 2008	<u>9,234</u>	<u>23,308</u>	<u>48,298</u>
Net book value as at 1st January, 2007	8,814	23,162	37,638
Exchange differences	197	–	474
Additions	–	–	5,917
Amortisation/depreciation	(89)	(286)	(3,379)
Disposals	–	–	(366)
	<u>8,922</u>	<u>22,876</u>	<u>40,284</u>
Net book value as at 30th June, 2007	<u>8,922</u>	<u>22,876</u>	<u>40,284</u>

## 10. Trade receivables

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 30th June, 2008, the ageing analysis of the trade receivables was as follows:

	<b>30th June, 2008</b> <i>HK\$'000</i>	31st December, 2007 <i>HK\$'000</i>
1-30 days	381,769	328,024
31-60 days	333,211	412,914
61-90 days	345,100	353,674
91-120 days	395,903	360,596
Over 120 days	410,849	109,880
Less: provision for impairment	<u>(64,850)</u>	<u>(64,643)</u>
	<u>1,801,982</u>	<u>1,500,445</u>

## 11. Trade payables

At 30th June, 2008, the ageing analysis of the trade payables was as follows:

	<b>30th June, 2008 HK\$'000</b>	31st December, 2007 HK\$'000
1-30 days	<b>511,257</b>	539,400
31-60 days	<b>141,221</b>	335,991
61-90 days	<b>103,779</b>	93,313
91-120 days	<b>19,543</b>	38,174
Over 120 days	<b>91,141</b>	32,306
	<b><u>866,941</u></b>	<b><u>1,039,184</u></b>

## BUSINESS REVIEW AND OUTLOOK

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

### Business Review

In the first half of 2008, the Group maintained its leading position as one of the key distributors in the region and recorded satisfactory results. During this Period, the Group distributed over 100 models and sold approximately 2.6 million units of mobile phones.

The Group's Malaysian subsidiary enriched its product portfolio by acquiring distribution rights of 9 new Samsung models, namely SGH-B110, F480, G810, i450, i550, L170, M620, P520 and U900. Samsung maintained its position as the second largest mobile phone brand in Malaysia with a market share of approximately 19%, an increase compared to the first quarter of 2008.

The Group's subsidiary in the Philippines acquired distribution rights of 23 new Samsung models, namely SGH-B100, B110, B130, B200, B300, D780, E251, F250, F400, F480, G810, i450, i550w, i780, i900, J700, L170, L770, M110, M120, M620, P520 and U900. Samsung's market share was approximately 19% and maintained its second position in the Philippines market.

In Hong Kong, the Group's "Mobile City" retail business continues to gain popularity among customers, with quality services provided by the professional staff and effective marketing strategies adopted. During the second quarter, Mobile City opened a new shop in Tai Po Mega Mall, one of the high traffic malls in Tai Po district. It also organised various tailor-made promotions, including joint promotions with globally renowned brands as well as lucky draw, Mother's Day, Father's Day and summer promotions.

## **Financial Review**

Turnover for the first half of financial year 2008 totalled HK\$3,603 million, a decrease of 10.5% over the corresponding period in 2007. Sales volume totalled 2.6 million units for the period, down 13.3% over the corresponding half year of 2007.

Gross profit for the first six months was HK\$161 million, a decrease of 20.4% in half-yearly comparison. Gross profit margin decreased to 4.5% (2007: 5.0%).

Selling and distribution expenses have generally been kept in check. General and administrative expenses decreased by HK\$13 million compared to the corresponding period in 2007 mainly due to implementation of cost control measures.

There is no material change in other income. Other expenses in the first half of 2008 mainly represented foreign exchange loss.

Finance costs reduced by HK\$3.8 million in the first half of 2008 due mainly to the decrease in interest rates and purchases.

## **Liquidity and Financial Resources**

As at 30th June, 2008, bank and cash balances of the Group were HK\$565 million (as at 31st December, 2007: HK\$580 million), of which HK\$416 million (as at 31st December, 2007: HK\$455 million) were pledged for general banking facilities. Total borrowings (excluding bills payables) of the Group amounted to HK\$749 million (as at 31st December, 2007: HK\$476 million), comprising long-term bank loans of HK\$13 million (as at 31st December, 2007: HK\$22 million), obligations under finance lease of HK\$5 million (as at 31st December, 2007: HK\$5 million), and short-term bank loans and overdrafts of HK\$731 million (as at 31st December, 2007: HK\$449 million).

The gearing ratio (total borrowings/total assets) of the Group as at 30th June, 2008 was 25% (as at 31st December, 2007: 17%).

Investment property, freehold properties and certain leasehold land and buildings of the Group with carrying values of HK\$58 million (as at 31st December, 2007: HK\$54 million) were also pledged as security for the Group's general banking facilities.

## **Treasury Policies**

The Group's business transactions, assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars, Euro or Malaysian Ringgit.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. As at 30th June, 2008, the Group had HK\$48 million (as at 31st December, 2007: HK\$10 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.



## Contingent Liabilities

The Group does not have any significant contingent liabilities as at 30th June, 2008.

## Employees

As at 30th June, 2008 the Group had 722 (as at 31st December, 2007: 681) employees. Total employee remuneration, including that of the Directors, for the six months ended 30th June, 2008 amounted to HK\$52 million (six months ended 30th June, 2007: HK\$48 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. The Group also grants share option to its employees.

## Future Plans and Prospects

The Group remains focused on its core strengths and competencies and will build on these going forward to capitalise on potential opportunities arising from new technologies, emerging markets and industry trends.

The Group looks forward to sustained business growth and to further consolidate its position in the market and drive for greater profitability.

## SHARE OPTION SCHEME

Pursuant to the Company's share option scheme, the following share options were outstanding during the Period:

Category of participant	At 1st January 2008	Granted during the period	Exercised during the period	Forfeited during the period	At 30th June 2008	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
Employees:								
In aggregate	92,000,000	-	-	-	92,000,000	11th July 2007	11th July 2007 to 10th January 2011	0.265
	79,600,000	-	-	-	79,600,000	11th July 2007	11th October 2007 to 10th January 2011	0.265
	18,300,000	-	-	(3,500,000)	14,800,000	11th July 2007	11th November 2007 to 10th January 2011	0.265
	<u>189,900,000</u>	<u>-</u>	<u>-</u>	<u>(3,500,000)</u>	<u>186,400,000</u>			

### Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The Group had charged share-based payments of HK\$1.9 million against earnings for the six months ended 30th June, 2008.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2008, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

### (a) Shares in the Company

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

Notes:

- (i) These Shares are held by Ms. Tan Sook Kiang, the spouse of Mr. Ng Kok Hong, and therefore Mr. Ng Kok Hong is deemed by virtue of the SFO to be interested in these Shares.
- (ii) These Shares are held by NKT Holdings Sdn. Bhd., a company incorporated in Malaysia, which is owned as to 50% by Mr. Ng Kok Tai and as to 50% by Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SFO to be interested in these Shares.

### (b) Shares in an associated corporation

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

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

Save as disclosed above, as at 30th June, 2008, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

Save as disclosed above, at no time during the Periods 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 30th June, 2008, other than the interests disclosed in the section headed “Directors’ Interests and Short Positions in Shares” above, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **COMPETING INTEREST**

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

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **DIRECTORS’ SECURITIES TRANSACTIONS**

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

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the Periods.

## **AUDIT COMMITTEE**

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

Mr. See Tak Wah (*Committee Chairman*)

Mr. Wu Wai Chung Michael

Mr. Wong Tin Sang Patrick

The terms of reference of the audit committee was revised on 12th August, 2005 in accordance with the requirements of the Code on Corporate Governance Practices as set out by the Exchange. The primary duties of the audit committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the external auditors.

The unaudited results of the Group for the six months ended 30th June, 2008 has been reviewed by the audit committee.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the requirements of the Code on Corporate Governance Practices as set out by the Exchange during the six months ended 30th June, 2008.

By order of the Board

**Ng Kok Hong**

*Executive Chairman*

Hong Kong, 13th August, 2008

*Executive Directors:*

Ng Kok Hong (*Executive Chairman*)

Ng Kok Tai (*Executive Deputy Chairman*)

Ng Kok Yang

*Independent Non-executive Directors:*

See Tak Wah

Wu Wai Chung Michael

Wong Tin Sang Patrick

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at [www.firstmobile.com](http://www.firstmobile.com).*