

FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司

Stock code : 8110

股票編號 : 8110



MASTERING
THE MOBILE
ARENA



INTERIM REPORT 2007
二零零七年中期業績報告

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

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

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

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

HIGHLIGHTS

For the six months ended 30th June, 2007, First Mobile Group Holdings Limited and its subsidiaries recorded satisfactory results despite a competitive environment. Highlights of the six months' performance are as follows:

- Turnover was approximately HK\$4,025 million, representing an increase of 1.4% over the same period of 2006
- Gross profit was approximately HK\$203 million, representing an increase of 34.6% over the same period of 2006
- Profit attributable to equity holders of the Company was approximately HK\$44 million, representing an increase of 549% over the same period of 2006
- Earnings per share was HK2.24 cents
- Number of mobile phones sold was approximately 3.0 million units
- Interim dividend of HK0.5 cent per share was declared

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, 2007 (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, 2007

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2007 HK\$'000	(Restated) 2006 HK\$'000	2007 HK\$'000	(Restated) 2006 HK\$'000
Continuing operations					
Revenues	2	1,890,372	1,930,587	4,026,309	3,970,225
Cost of sales		(1,782,025)	(1,850,515)	(3,823,567)	(3,819,600)
Gross profit		108,347	80,072	202,742	150,625
Selling and distribution expenses		(15,799)	(9,519)	(30,683)	(23,639)
General and administrative expenses		(50,927)	(48,576)	(86,873)	(88,235)
Other income	3	3,568	1,976	1,015	4,749
Other expenses	3	(834)	(6,120)	(3,628)	(7,103)
Operating profit	4	44,355	17,833	82,573	36,397
Finance income	5	5,079	3,101	9,008	6,010
Finance costs	5	(17,632)	(14,942)	(36,551)	(28,733)
Profit before taxation		31,802	5,992	55,030	13,674
Taxation	6	(3,731)	(9,057)	(11,422)	(12,711)
Profit/(loss) from continuing operations		28,071	(3,065)	43,608	963
Discontinued operation					
Loss from discontinued operation	7	-	(10,249)	-	(10,955)
Profit/(loss) for the period		28,071	(13,314)	43,608	(9,992)
Attributable to:					
Equity holders of the Company		28,071	(13,358)	43,620	(9,715)
Minority interests		-	44	(12)	(277)
		28,071	(13,314)	43,608	(9,992)
Basic and diluted earnings/(loss) per share	8				
- from continuing operations		HK1.44 cents	HK(0.16) cent	HK2.24 cents	HK0.05 cent
- from discontinued operation		-	HK(0.53) cent	-	HK(0.55) cent
Dividend	9	9,728	-	9,728	-

Unaudited Condensed Consolidated Balance Sheet

As at 30th June, 2007

	Note	30th June, 2007 HK\$'000	(audited) 31st December, 2006 HK\$'000
Non-current assets			
Intangible assets	10	–	1,381
Investment property	11	8,922	8,814
Leasehold land	11	22,876	23,162
Fixed assets	11	40,284	37,638
Deferred tax assets		12,475	13,211
		84,557	84,206
Current assets			
Inventories		607,724	566,017
Financial assets at fair value through profit or loss		651	729
Trade receivable	12	1,455,791	1,356,600
Other receivables and prepayments		154,865	188,194
Tax recoverable		11,782	9,094
Derivative financial instruments		179	483
Bank balances and cash			
– pledged		480,115	402,253
– not pledged		218,457	130,145
		2,929,564	2,653,515
Current liabilities			
Trade payable	13	1,124,545	882,006
Bills payable		429,946	379,269
Other payables and accrued charges		112,114	98,371
Current portion of long-term liabilities		25,365	25,235
Taxation payable		22,340	17,197
Bank loans & overdrafts			
– secured		355,597	428,256
– unsecured		5,293	7,956
		2,075,200	1,838,290
Net current assets		854,364	815,225
Total assets less current liabilities		938,921	899,431
Capital and reserves attributable to the Company's equity holders			
Share capital		194,570	194,570
Reserves		730,732	680,376
		925,302	874,946
Minority interests		–	12
Total equity		925,302	874,958
Non-current liabilities			
Long-term liabilities		11,726	22,684
Deferred tax liabilities		1,893	1,789
		938,921	899,431

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	252,654	(70,423)
Net cash (used in)/from investing activities	(80,980)	6,409
Net cash used in financing activities	(85,562)	(92,658)
Effects of foreign exchange rate changes	4,863	7,051
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	90,975	(149,621)
Cash and cash equivalents at 1st January	122,189	295,959
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	213,164	146,338
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Analysis of balances of cash and cash equivalents

	30th June, 2007	30th June, 2006
	HK\$'000	HK\$'000
Non-pledged bank balances and cash	218,457	169,704
Unsecured bank overdrafts	(5,293)	(23,366)
	<hr/>	<hr/>
	213,164	146,338
	<hr/> <hr/>	<hr/> <hr/>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

	Attributable to equity holders of the Company								
	Share capital	Share premium	Merger reserve	Reserve fund (note)	Exchange reserve	Available-for-sale financial asset revaluation reserve	Retained earnings	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	194,570	127,258	3,989	4,872	27,289	-	567,324	-	925,302
Retained by:									
Company and subsidiaries	194,570	127,258	3,989	4,872	27,289	-	567,324	-	925,302
Balance at 1st January, 2006	194,570	127,258	3,989	4,872	1,615	1,991	482,989	355	817,639
Exchange differences	-	-	-	-	7,907	-	-	54	7,961
Loss attributable to equity holders of the Company	-	-	-	-	-	-	(9,715)	-	(9,715)
Minority's share of loss for the period	-	-	-	-	-	-	-	(277)	(277)
Contribution from a minority shareholder	-	-	-	-	-	-	-	70	70
Balance at 30th June, 2006	194,570	127,258	3,989	4,872	9,522	1,991	473,274	202	815,678
Retained by:									
Company and subsidiaries	194,570	127,258	3,989	4,872	9,522	1,991	473,274	202	815,678

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

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” 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.

Following the Group’s disposal of its 70% equity interest in Chi Tel Investments Limited, which provides inter-city/international telecommunication services using VoIP technology (“VoIP business”) on 3rd July, 2006, the VoIP business is reported as discontinued operation in the consolidated accounts for the three months and the six months ended 30th June, 2006, and accordingly relevant comparative figures were restated.

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual report for the year ended 31st December, 2006 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 November, 2006. The Group has adopted all HKFRSs which are pertinent to its operations in the accounts for the year ending 31st December, 2007. The applicable HKFRSs are set out below:

IFRIC/HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures

(a) *IFRIC/HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment*

This new interpretation prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any financial impact on the Group’s financial results.

1. Basis of preparation and accounting policies *(Continued)*

- (b) *HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures*

HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRSs. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. These amendments do not have any financial impact on the Group's financial results.

2. Revenue, 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:

	Three months ended 30th June,		Six months ended 30th June,	
	2007 <i>HK\$'000</i>	(Restated) 2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	(Restated) 2006 <i>HK\$'000</i>
Revenues				
Turnover from sales of mobile phones and accessories, net	1,889,458	1,929,369	4,024,529	3,967,691
Rental income				
– investment property	231	–	458	–
– others	635	850	1,212	1,925
Repair service income, net	48	368	110	609
Total	1,890,372	1,930,587	4,026,309	3,970,225

2. Revenue, income 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 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, 2007 by business segment is as follows:

	Continuing operations						Discontinued operation	
	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated		Provision of telecommunication services using VoIP technology	
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	2007	(Restated) 2006	2007	(Restated) 2006	2007	(Restated) 2006	2007	(Restated) 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover before inter-segment sales	3,897,089	3,862,650	160,901	220,212	4,057,990	4,082,862	-	13,396
Inter-segment sales	(32,434)	(53,291)	(1,027)	(61,880)	(33,461)	(115,171)	-	-
Turnover	3,864,655	3,809,359	159,874	158,332	4,024,529	3,967,691	-	13,396
Unallocated revenues					1,780	2,534		
Revenues					4,026,309	3,970,225		
Segment results	102,510	50,056	(11,635)	(5,720)	90,875	44,336	-	(10,934)
Unallocated income and expenses, net					(8,302)	(7,939)	-	-
Operating profit					82,573	36,397	-	(10,934)
Finance income					9,008	6,010	-	13
Finance costs					(36,551)	(28,733)	-	(34)
Profit/(loss) before taxation					55,030	13,674	-	(10,955)
Taxation					(11,422)	(12,711)	-	-
Profit/(loss) for the period					43,608	963	-	(10,955)

2. Revenue, income and segment information (Continued)

Primary reporting format – business segments (Continued)

	Continuing operations						Discontinued operation	
	Trading and distribution of mobile phones and accessories		Retail sales of mobile phones and accessories		Consolidated		Provision of telecommunication services using VoIP technology	
	As at 30th June, 2007	As at 31st December, 2006	As at 30th June, 2007	As at 31st December, 2006	As at 30th June, 2007	As at 31st December, 2006	As at 30th June, 2007	As at 31st December, 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,713,607	2,440,227	181,485	174,334	2,895,092	2,614,561	-	-
Unallocated assets					119,029	123,160		
Total assets					<u>3,014,121</u>	<u>2,737,721</u>		
Segment liabilities	(1,936,008)	(1,713,493)	(96,537)	(85,184)	(2,032,545)	(1,798,677)	-	-
Unallocated liabilities					(56,274)	(64,086)		
Total liabilities					<u>(2,088,819)</u>	<u>(1,862,763)</u>		
	Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,		Six months ended 30th June,	
	(Restated) 2007	(Restated) 2006	(Restated) 2007	(Restated) 2006	(Restated) 2007	(Restated) 2006	(Restated) 2007	(Restated) 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	4,323	1,677	1,594	261	5,917	1,938	-	-
Unallocated capital expenditure					-	8,553		
Total capital expenditure					<u>5,917</u>	<u>10,491</u>		
Depreciation and amortisation	4,289	4,936	787	478	5,076	5,414	-	873
Unallocated depreciation and amortisation					89	-		
Total depreciation and amortisation					<u>5,165</u>	<u>5,414</u>		
Impairment of trade receivable	11,552	20,076	3,114	92	14,666	20,168	-	28
(Reversal of impairment)/ impairment of inventories	(17,101)	(7,844)	700	119	(16,401)	(7,725)	-	-

2. Revenue, income 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.
– retailing of mobile phones and accessories.
- Malaysia – trading and distribution of mobile phones and accessories.
– retailing of mobile phones and accessories.
- Singapore – trading and distribution of mobile phones and accessories.
- The Philippines – trading and distribution of mobile phones and accessories.
- Mainland China – trading and distribution of mobile phones and accessories.

	Six months ended		As at 30th
	30th June, 2007		June, 2007
	Revenue	Capital expenditure	Total assets
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	3,183,713	1,093	1,976,254
Malaysia	339,144	3,927	751,793
Singapore	345,237	29	35,419
The Philippines	17,728	605	33,842
Mainland China	26,352	–	46,984
Other countries	114,135	263	50,800
	<u>4,026,309</u>	<u>5,917</u>	2,895,092
Unallocated assets			<u>119,029</u>
Total assets			<u><u>3,014,121</u></u>

2. Revenue, income and segment information (Continued)

Secondary reporting format – geographical segments (Continued)

	Six months ended 30th June, 2006		As at 30th June, 2006
	Revenue	Capital	Total
	(Restated) HK\$'000	expenditure (Restated) HK\$'000	assets (Restated) HK\$'000
Hong Kong	3,436,400	672	1,498,563
Malaysia	299,768	9,582	691,506
Singapore	66,065	4	14,278
The Philippines	43,026	118	56,984
Mainland China	105,072	–	90,604
Other countries	19,894	115	67,254
	<u>3,970,225</u>	<u>10,491</u>	<u>2,419,189</u>
Unallocated assets			<u>190,614</u>
Total assets			<u><u>2,609,803</u></u>

3. Other income and expenses

Other income and expenses mainly comprised a release of exchange reserve upon disposal of a dormant subsidiary, amortisation of intangible assets and exchange differences for the three months and the six months ended 30th June, 2007.

4. Operating profit

Operating profit is stated after charging the following:

	Three months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000	(Restated) 2006 HK\$'000	2007 HK\$'000	(Restated) 2006 HK\$'000
Cost of inventories sold	1,779,218	1,835,298	3,819,678	3,801,831
Depreciation				
– owned fixed assets	1,513	1,495	3,064	3,133
– leased fixed assets	199	179	315	405
– investment property	61	–	89	–
Amortisation of intangible assets (note 10)	572	803	1,411	1,590
Amortisation of leasehold land (note 11)	143	143	286	286
Impairment of goodwill	–	7,754	–	7,754
	<u>–</u>	<u>7,754</u>	<u>–</u>	<u>7,754</u>

5. Finance income and costs

	Three months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000	(Restated) 2006 HK\$'000	2007 HK\$'000	(Restated) 2006 HK\$'000
Bank interest income	5,079	3,101	9,008	6,010
Interest expenses on:				
– bank loans and overdrafts	14,890	13,160	30,389	24,599
– finance leases	33	32	66	57
Bank and other charges	2,709	1,750	6,096	4,077
	17,632	14,942	36,551	28,733

6. Taxation

	Three months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000	(Restated) 2006 HK\$'000	2007 HK\$'000	(Restated) 2006 HK\$'000
Hong Kong profits tax (note (i))	5,253	6,963	11,626	8,745
Overseas taxation (note (ii))	1,408	1,561	2,873	3,433
(Over)/under provision of taxation in prior years	(4,078)	764	(4,072)	764
Deferred taxation	1,148	(231)	995	(231)
	3,731	9,057	11,422	12,711

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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. Discontinued operation

The Group disposed of its VoIP business on 3rd July, 2006 and the loss from this discontinued operation for the three months and six months ended 30th June, 2006 were HK\$10,249,000 and HK\$10,955,000. The loss for the six months ended 30th June, 2006 included the one-time write off of goodwill and advances of HK\$7,754,000 and HK\$2,634,000 respectively.

8. Earnings per share

Basic earnings per share for the three months and the six months ended 30th June, 2007 were calculated based on the profit from continuing operations of HK\$28,071,000 and HK\$43,620,000 attributable to equity holders of the Company respectively (2006: loss of HK\$3,054,000 and profit of HK\$988,000) and on the weighted average of 1,945,696,565 (2006: 1,945,696,565) shares in issue during the Periods.

Basic loss per share from discontinued operation for the three months and the six months ended 30th June, 2006 were calculated based on the loss from discontinued operation of HK\$10,304,000 and HK\$10,703,000 attributable to equity holders of the Company respectively and on the weighted average of 1,945,696,565 shares in issue during the periods.

The Company has no dilutive potential shares as at 30th June, 2007 (2006: None).

9. Dividend

	Six month ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend, HK0.5 cent per share	9,728	—

At a meeting of the board of directors held on 13th August, 2007, the Directors declared an interim dividend of HK0.5 cent per share for the period ended 30th June, 2007. This interim dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2007.

10. Intangible assets

	Goodwill <i>HK\$'000</i>	Distribution right <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value as at 1st January, 2007	–	1,381	1,381
Exchange differences	–	30	30
Amortisation charge (note 4)	–	(1,411)	(1,411)
	<hr/>	<hr/>	<hr/>
Net book value as at 30th June, 2007	<u>–</u>	<u>–</u>	<u>–</u>
Net book value as at 1st January, 2006	7,754	4,385	12,139
Exchange differences	–	123	123
Impairment	(7,754)	–	(7,754)
Amortisation charge	–	(1,590)	(1,590)
	<hr/>	<hr/>	<hr/>
Net book value as at 30th June, 2006	<u>–</u>	<u>2,918</u>	<u>2,918</u>

11. Investment property, leasehold land and fixed assets

	Investment property <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>	Fixed assets <i>HK\$'000</i>
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)
	<hr/>	<hr/>	<hr/>
Net book value as at 30th June, 2007	<u>8,922</u>	<u>22,876</u>	<u>40,284</u>
Net book value as at 1st January, 2006	–	23,735	49,222
Exchange differences	–	–	358
Additions	–	–	10,491
Amortisation/depreciation	–	(286)	(4,410)
Disposals	–	–	(1,038)
	<hr/>	<hr/>	<hr/>
Net book value as at 30th June, 2006	<u>–</u>	<u>23,449</u>	<u>54,623</u>

12. 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 30th June, 2007, the ageing analysis of the trade receivable was as follows:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
1-30 days	440,123	440,376
31-60 days	343,704	349,222
61-90 days	271,312	364,082
91-120 days	362,260	111,791
Over 120 days	164,312	210,614
Less: provision for impairment	(125,920)	(119,485)
	<hr/> 1,455,791 <hr/>	<hr/> 1,356,600 <hr/>

13. Trade payable

At 30th June, 2007, the ageing analysis of the trade payable was as follows:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
1-30 days	724,592	674,520
31-60 days	186,460	89,710
61-90 days	19,085	73,502
91-120 days	63,290	15,292
Over 120 days	131,118	28,982
	<hr/> 1,124,545 <hr/>	<hr/> 882,006 <hr/>

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.5 cent per share for the six months ended 30th June, 2007 payable to members whose names appear on the register of members of the Company on 5th September, 2007. The interim dividend will be paid on 19th September, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3rd September, 2007 to Wednesday, 5th September, 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 31st August, 2007.

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 2007, the Group maintained its leading position as one of the key distributors in the region and recorded satisfactory results. During the period, the Group distributed over 80 models and sold approximately 3 million units of mobile phones.

The Group's Malaysian subsidiary further enriched its product portfolio by acquiring distribution rights of 6 new models, namely Samsung SGH-C170, D840, D900i, F300, U600 and Z240. Samsung maintained its position as the second largest mobile phone brand in Malaysia with a market share of approximately 19%. Further, the Group carried out a very successful promotional campaign with a major network operator in Malaysia to further promote the Samsung brand.

The Group's subsidiary in the Philippines acquired exclusive distribution rights of 14 new models, namely Samsung SGH-C140, C160, C170, C520, D900i, E570, E840, F300, P930, U300, U600, Z240, Z370 and Z720 during the period under review. The Group continued to grow Samsung's market share to approximately 20% and maintained its second position in the Philippines market. During the period under review, the Philippines subsidiary supplied Samsung handsets to the country's leading network operator and executed several successful marketing programs with renowned corporations in the country.

In Hong Kong, the Group's retail business under the brand name of Mobile City continued to gain popularity among customers, with quality services provided by professional staff and effective marketing strategies adopted. During the period under review, the sixth Mobile City outlet was opened in the strategic location of Dragon Centre in Sham Shui Po, which is the main shopping centre that attracts most residents in Kowloon West. On the day of the grand opening, we cordially invited Mr. Gill Mohinderpaul Singh to celebrate with our guests. His performance attracted a huge crowd and gained extensive press coverage and awareness from Kowloon West residents. A lucky draw and sales promotions were also organised to celebrate the opening. Moreover, between April to June 2007, a series of marketing campaigns were launched, including Easter Promotion, Mother's Day Promotion, Father's Day Promotion & Summer Promotion. Mobile City also acquired the rights to use famous and popular characters such as Newton's Law from the United Kingdom and Panchi & Nana from South Korea, as premium gifts to customers. These premiums were very welcomed by customers. On top of these marketing campaigns, bespoke sales promotions were organised for each shop to fulfill different customers' needs in different districts. All promotions received impressive results which further enhanced the brand name of Mobile City as well as boosted sales volume.

Financial Review

Turnover for the first half of financial year 2007 totalled HK\$4,025 million, an increase of 1.4% over the corresponding period in 2006. Sales volume totalled 3 million units for the period, up 10% over the corresponding half year of 2006.

Gross profit margin had improved from 3.8% to 5.0% in half-yearly comparison, resulting in a gross profit of HK\$203 million for the period, a marked increase of 35% over the corresponding period in 2006.

Selling and distribution expenses increased due to the growth of the Group's distribution networks in existing and new markets.

General and administrative expenses have generally been kept in check.

Finance costs increased by HK\$7.8 million in the first half of 2007 due mainly to the increases in interest rates and bank charges.

Liquidity and Financial Resources

As at 30th June, 2007, bank and cash balances of the Group was approximately HK\$699 million (as at 31st December, 2006: HK\$532 million), of which approximately HK\$480 million (as at 31st December, 2006: HK\$402 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK\$398 million (as at 31st December, 2006: HK\$484 million), comprising long-term bank loans of approximately HK\$35 million (as at 31st December, 2006: HK\$47 million), obligations under finance lease of approximately HK\$2 million (as at 31st December, 2006: HK\$1 million), and short-term bank loans and overdrafts of approximately HK\$361 million (as at 31st December, 2006: HK\$436 million).

The gearing ratio (total borrowings/total assets) of the Group as at 30th June, 2007 was 13% (as at 31st December, 2006: 18%).

Freehold property and certain leasehold land and buildings and investment property of the Group with carrying values of approximately HK\$54 million (as at 31st December, 2006: HK\$55 million) are 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, Renminbi, Euro or Malaysian Ringgit.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. As at 30th June, 2007, the Group had approximately HK\$7 million (as at 31st December, 2006: HK\$29 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, 2007.

Employees

As at 30th June, 2007 the Group had 668 (as at 31st December, 2006: 708) employees. Total employee remuneration, including that of the Directors, for the six months ended 30th June, 2007 amounted to approximately HK\$48 million (six months ended 30th June, 2006: HK\$44 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group has a share option scheme for Directors and employees, details of which are disclosed in the section on “Share Option Scheme”.

Future Plans and Prospects

The Group will continue to focus on its core strengths and competencies and build on these going forward to capitalise on potential opportunities arising from emerging technologies, such as the emerging Digital Video Broadcast – Handheld (DVB-H) technology in the Philippines market.

The Group looks forward to further consolidating its position in the market and capturing market share while driving margins upwards.

SHARE OPTION SCHEME

At the annual general meeting held on 29th April, 2003, the shareholders of the Company approved the adoption of a share option scheme (the “Share Option Scheme”). The summary of the terms of the Share Option Scheme was disclosed in the circular to shareholders dated 27th March, 2003.

Under the 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 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 highest of (i) the closing price of the Shares as stated in the Stock 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 Stock 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 to be granted under the Share Option Scheme must not exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme and as refreshed by members in general meeting in accordance with the terms of the 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.

As at 30th June, 2007, no options under this scheme had been granted.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(a) Shares in the Company

Name of Director	Number of Shares of HK\$0.10 each			Total	Percentage of issued share capital
	Personal interests	Family interests <i>(note (i))</i>	Corporate interests <i>(note (ii))</i>		
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 <i>(note)</i>	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, 2007, 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, 2007, 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 Stock 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, 2007 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 Stock Exchange during the six months ended 30th June, 2007.

By order of the Board

Ng Kok Hong

Executive Chairman

Hong Kong, 13th August, 2007

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



FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司

Suite 1919-23

19th Floor, Grandtech Centre

8 On Ping Street

Shatin, New Territories

Hong Kong

Tel: (852) 2376 0233

Fax: (852) 2376 0210

香港新界沙田安平街8號

偉達中心19樓1919-23室

電話: (852) 2376 0233

傳真: (852) 2376 0210

www.firstmobile.com