

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

THIRD QUARTERLY REPORT 2008
二零零八年第三季度業績報告

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

HIGHLIGHTS

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

- Turnover was HK\$5,587 million, representing a decrease of 11.5% over the same period of 2007
- Number of mobile phones sold was 4 million units
- Gross profit was HK\$258 million, representing a decrease of 16.5% over the same period of 2007
- Profit attributable to equity holders of the Company was HK\$38 million, representing a decrease of 35.6% over the same period of 2007
- Earnings per share was HK1.96 cents

RESULTS

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 nine months ended 30th September, 2008 (the "Periods") together with the unaudited comparative figures:

Unaudited Consolidated Profit and Loss Account

For the three months and the nine months ended 30th September, 2008

	Note	Three months ended 30th September,		Nine months ended 30th September,	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenues	2	1,984,771	2,290,183	5,590,080	6,316,492
Cost of sales		(1,888,514)	(2,184,508)	(5,332,481)	(6,008,075)
Gross profit		96,257	105,675	257,599	308,417
Selling and distribution expenses		(13,775)	(17,014)	(42,930)	(47,697)
General and administrative expenses		(40,778)	(45,972)	(114,393)	(132,845)
Other income	3	14,596	499	11,250	1,509
Other expenses	3	(11,152)	(7,025)	(10,541)	(10,648)
Operating profit		45,148	36,163	100,985	118,736
Finance income		2,298	5,850	8,876	14,858
Finance costs		(17,035)	(17,545)	(49,791)	(54,096)
Profit before taxation		30,411	24,468	60,070	79,498
Taxation	4	(9,181)	(8,765)	(21,893)	(20,187)
Profit for the period		21,230	15,703	38,177	59,311
Attributable to:					
Equity holders of the Company		21,230	15,703	38,177	59,323
Minority interests		—	—	—	(12)
		21,230	15,703	38,177	59,311
Basic earnings per share	5	HK1.09 cents	HK0.81 cent	HK1.96 cents	HK3.05 cents
Diluted earnings per share	5	HK1.09 cents	HK0.80 cent	HK1.96 cents	HK3.01 cents

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.

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

(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 and income

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 September,		Nine months ended 30th September,	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenues				
Turnover from sales of mobile phones and accessories, net	1,983,587	2,289,326	5,586,573	6,313,855
Rental income				
— investment property	365	154	1,127	612
— others	723	659	2,142	1,871
Repair service income, net	96	44	238	154
Total	<u>1,984,771</u>	<u>2,290,183</u>	<u>5,590,080</u>	<u>6,316,492</u>

3. Other income and expenses

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

4. Taxation

	Three months ended 30th September,		Nine months ended 30th September,	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong profits tax (note (i))	8,315	7,752	11,240	19,378
Overseas taxation (note (ii))	1,418	6,244	5,707	9,117
Under/(over) provision of taxation in prior years	581	(1,789)	640	(5,861)
Deferred taxation	(1,133)	(3,442)	4,306	(2,447)
	<u>9,181</u>	<u>8,765</u>	<u>21,893</u>	<u>20,187</u>

4. Taxation (Continued)

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.

5. Earnings per share

Basic and diluted earnings per share for the three months and the nine months ended 30th September, 2008 were calculated based on the profit attributable to equity holders of the Company of HK\$21,230,000 and HK\$38,177,000 respectively (2007: HK\$15,703,000 and HK\$59,323,000) and on the weighted average of 1,945,696,565 (2007: 1,969,960,763) shares in issue during the Periods.

The Company's share options do not have a dilutive effect on earnings per shares as at 30th September, 2008.

6. Dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30th September, 2008 (2007: Nil).

7. Movement in reserves

Movement in the reserves of the Group during the three months ended 30th September, 2008 and 2007 are set out below:

	Attributable to equity holders of the Company						Total
	Share premium	Merger reserve	Reserve fund	Exchange reserve	Share option reserve	Retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st July, 2008	127,258	3,982	–	35,055	11,494	584,738	762,527
Exchange differences	–	–	–	(10,941)	–	–	(10,941)
Profit attributable to equity holders of the Company	–	–	–	–	–	21,230	21,230
Share-based payments	–	–	–	–	599	–	599
Balance at 30th September, 2008	<u>127,258</u>	<u>3,982</u>	<u>–</u>	<u>24,114</u>	<u>12,093</u>	<u>605,968</u>	<u>773,415</u>
Retained by:							
Company and subsidiaries	<u>127,258</u>	<u>3,982</u>	<u>–</u>	<u>24,114</u>	<u>12,093</u>	<u>605,968</u>	<u>773,415</u>

7. Movement in reserves (Continued)

	Attributable to equity holders of the Company						Total
	Share premium	Merger reserve	Reserve fund	Exchange reserve	Share option reserve	Retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st July, 2007	127,258	3,989	4,872	27,289	—	567,324	730,732
Exchange differences	—	—	—	3,986	—	—	3,986
Profit attributable to equity holders of the Company	—	—	—	—	—	15,703	15,703
Share-based payments	—	—	—	—	6,657	—	6,657
Dividend paid	—	—	—	—	—	(9,728)	(9,728)
Balance at 30th September, 2007	<u>127,258</u>	<u>3,989</u>	<u>4,872</u>	<u>31,275</u>	<u>6,657</u>	<u>573,299</u>	<u>747,350</u>
Retained by: Company and subsidiaries	<u>127,258</u>	<u>3,989</u>	<u>4,872</u>	<u>31,275</u>	<u>6,657</u>	<u>573,299</u>	<u>747,350</u>

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

For the nine months under review, the Group maintained its leading position as a key distributor in the region and recorded satisfactory results. During the Period, the Group distributed over 110 models and sold approximately 4 million units of mobile phones.

The Group's Malaysian subsidiary enriched its product portfolio by acquiring distribution rights of 19 new Samsung models, namely SGH-B110, F480, G400, G810, i450, i550, i8510, i900, L170, L700, M620, M3510, M8800, P520, S3600, S7330, U800, U900 and Z810. Samsung maintained its position as the second largest mobile phone brand in Malaysia with a market share of approximately 22%, an increase of 3% compared to the second quarter of 2008.

The Group's subsidiary in the Philippines acquired distribution rights of 33 new Samsung models, namely SGH-B100, B110, B130, B200, B220, B300, B310, B520, D780, E251, F250, F400, F480, G400, G810, i450, i550w, i780, i8510, i900, J700, J800, L170, L700, L770, M110, M120, M150, M620, P520, S7330, U800 and U900. Samsung's market share was up by 3% from the second quarter of 2008 to approximately 22% 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 third quarter, Mobile City opened two new outlets in Kwun Tong and Tung Chung, the residential areas in Kowloon East and New Territories West respectively. It also organised various tailor-made joint promotions with globally renowned brands, which include summer promotion, Macau trip lucky draw promotion, new shop opening promotion, and back to school promotion. All these promotions received good response and were effective in promoting the Mobile City brand.

Financial Review

For the nine months ended 30th September 2008, the Group recorded a turnover of HK\$5,587 million, representing a decrease of 11.5% over the turnover of HK\$6,314 million in the corresponding period of 2007. Turnover for this third quarter, however, is 24.5% higher than that of the second quarter of 2008.

Total sales volume was 4 million units, down 11.1% from 4.5 million units in the corresponding period. However, sales volume in this third quarter rose 16.7% over the second quarter of 2008.

Gross profit margin for the period was 4.6% against 4.9% in the corresponding period of 2007.

In view of the ongoing global financial turmoil, the softening of the market in the current period compared to that of previous years is well within the Group's expectation. We are encouraged by the growth in sales in this quarter over the previous quarter through our concerted marketing efforts and strategy and are confident of maintaining this momentum as the Group heads into the traditionally stronger final quarter of the year.

Selling and distribution expenses as well as general and administrative expenses have generally been kept in check and the decrease in expenditure is mainly due to the implementation of cost control measures.

Finance cost has reduced from HK\$54 million to HK\$50 million due to the reduction in interest rates.

Future Plans and Prospects

The Group is a multi-layered, multi-region distributor with a highly developed distribution network spread across the globe. Our success over the decade is built on the following pillars of strengths:

- (a) a strong and seasoned management team who truly understands the industry, especially the various markets in which we operate;
- (b) our access to the latest and widest range of products, our ability to read the market, consumers' demand, and buying patterns gives us first mover advantage and a quicker time to market;
- (c) ownership of a truly global, mature distribution network built on an impeccable business reputation and market standing;
- (d) a strong and dedicated workforce, logistic backbone and supply-chain management enables the efficient and effective delivery to our customers globally; and
- (e) the valued partnership with key business partners who understands and support our business wholeheartedly.

As a result of all these, the Group has built a sustainable business model capable of withstanding any economic stress over the last decade and beyond, and to ride the growth of the industry in the years to come.

The industry has been growing year on year, and sales in the Asian region, the Group's stronghold market, is expected to be up 18% from last year. This upward trend is expected to continue as both operators and manufacturers continue to drive the industry and the market.

The Group will continue to enhance its efficiency and productivity, and improve turnaround times with sharper purchasing, quicker inventory turnaround and faster collection. In the past several quarters, the Group had put in place various cost cutting and preventive measures to put it in good stead to meet any possible contingencies.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th September, 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 <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 September, 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 September, 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 nine months ended 30th September, 2008 has been reviewed by the audit committee.

By order of the Board

Ng Kok Hong

Executive Chairman

Hong Kong, 13th November, 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



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