

FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司



Stock code : 865

股票編號 : 865



Mastering the Mobile Arena

HIGHLIGHTS

For the six months ended 30th June, 2009, First Mobile Group Holdings Limited and its subsidiaries' performance are as follows:

- Turnover was HK\$2,395 million, representing a decrease of 34% over the same period of 2008
- Number of mobile phones sold was 2.1 million units
- Gross profit was HK\$100 million, representing a decrease of 38% over the same period of 2008
- Profit attributable to equity holders of the Company was HK\$1 million, representing a decrease of 94% over the same period of 2008
- Earnings per share was HK0.05 cent

INTERIM FINANCIAL STATEMENTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2009 (the "Period") together with the unaudited comparative figures:

Unaudited Condensed Consolidated Income Statement

For the six months ended 30th June, 2009

		Six months ended 30th June,	
	<i>Note</i>	2009 HK\$'000	2008 HK\$'000
Revenues	2	2,396,876	3,605,309
Cost of sales		(2,297,229)	(3,443,967)
Gross profit		99,647	161,342
Selling and distribution expenses		(26,864)	(29,155)
General and administrative expenses		(60,507)	(73,615)
Other income	3	2,187	1,360
Other expenses	3	(800)	(4,095)
Operating profit	4	13,663	55,837
Finance income	5	3,430	6,578
Finance costs	5	(25,881)	(32,756)
Share of loss of an associated company		(170)	—
(Loss)/profit before taxation		(8,958)	29,659
Taxation	6	10,007	(12,712)
Profit for the period		1,049	16,947
Profit attributable to:			
Equity holders of the Company		1,047	16,947
Minority interests		2	—
		1,049	16,947
Basic and diluted earnings per share	7	HK0.05 cent	HK0.87 cent

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	1,049	16,947
Other comprehensive (loss)/income for the period:		
Exchange differences arising from translation of financial statements of overseas subsidiaries	<u>(5,506)</u>	<u>679</u>
Total comprehensive (loss)/income for the period	<u>(4,457)</u>	<u>17,626</u>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(4,456)	17,626
Minority interests	<u>(1)</u>	<u>—</u>
	<u>(4,457)</u>	<u>17,626</u>

Unaudited Condensed Consolidated Statement of Financial Position

As at 30th June, 2009

		30th June, 2009 HK\$'000	(audited) 31st December, 2008 HK\$'000
	Note		
Non-current assets			
Investment in an associated company		2,156	2,331
Investment property	9	8,406	8,650
Leasehold land	9	22,710	23,009
Fixed assets	9	44,549	47,702
Deferred tax assets		23,422	14,254
		101,243	95,946
Current assets			
Inventories		250,216	551,687
Financial assets at fair value through profit or loss		627	614
Trade receivables	10	1,861,482	1,637,999
Other receivables and prepayments		150,320	106,797
Tax recoverable		17,384	17,377
Derivative financial instruments		2,087	1,425
Bank balances and cash			
— pledged		390,257	409,427
— not pledged		54,076	97,983
		2,726,449	2,823,309
Current liabilities			
Trade payables	11	728,835	810,725
Bills payables		278,794	303,805
Other payables and accrued charges		164,570	96,028
Current portion of long-term liabilities		21,082	4,157
Taxation payable		945	6,696
Bank loans and overdrafts			
— secured		645,021	707,634
— unsecured		2,579	5,693
		1,841,826	1,934,738
Net current assets		884,623	888,571
Total assets less current liabilities		985,866	984,517

Unaudited Condensed Consolidated Statement of Financial Position *(Continued)**As at 30th June, 2009*

	30th June, 2009 HK\$'000	(audited) 31st December, 2008 HK\$'000
Capital and reserves attributable to the Company's equity holders		
Share capital	194,570	194,570
Reserves	774,640	778,525
	969,210	973,095
Minority interests	215	171
Total equity	969,425	973,266
Non-current liabilities		
Long-term liabilities	12,406	7,365
Deferred tax liabilities	4,035	3,886
	985,866	984,517

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Net cash used in operating activities	(12,791)	(272,373)
Net cash from investing activities	18,111	35,935
Net cash (used in)/from financing activities	(41,331)	263,873
Effects of foreign exchange rate changes	(4,782)	(436)
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Net (decrease)/increase in cash and cash equivalents	(40,793)	26,999
Cash and cash equivalents at 1st January	92,290	113,631
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Cash and cash equivalents at 30th June	51,497	140,630
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Analysis of balances of cash and cash equivalents

	30th June,	
	2009	30th June,
	HK\$'000	<i>HK\$'000</i>
Bank balances and cash, not pledged	54,076	148,959
Unsecured bank overdrafts	(2,579)	(8,329)
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	51,497	140,630
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Unaudited Condensed Consolidated Statement of Changes in Equity
For the six months ended 30th June, 2009

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balance at 1st January, 2009	194,570	127,258	3,982	26,004	12,537	608,744	171	973,266
Total comprehensive income for the period								
— Profit for the period	—	—	—	—	—	1,047	2	1,049
— Exchange differences arising from translation of financial statements of overseas subsidiaries	—	—	—	(5,503)	—	—	(3)	(5,506)
Share-based payments	—	—	—	—	571	—	—	571
Contribution from minority shareholders	—	—	—	—	—	—	45	45
Balance at 30th June, 2009	<u>194,570</u>	<u>127,258</u>	<u>3,982</u>	<u>20,501</u>	<u>13,108</u>	<u>609,791</u>	<u>215</u>	<u>969,425</u>
Retained by: Company and subsidiaries	<u>194,570</u>	<u>127,258</u>	<u>3,982</u>	<u>20,501</u>	<u>13,108</u>	<u>609,791</u>	<u>215</u>	<u>969,425</u>
Balance at 1st January, 2008	194,570	127,258	3,982	34,376	9,644	577,519	—	947,349
Total comprehensive income for the period								
— Profit for the period	—	—	—	—	—	16,947	—	16,947
— Exchange differences arising from translation of financial statements of overseas subsidiaries	—	—	—	679	—	—	—	679
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>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>35,055</u>	<u>11,494</u>	<u>584,738</u>	<u>—</u>	<u>957,097</u>

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Listing Rules. 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 condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31st December, 2008.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2008 except for the adoption of some new and revised standards stated below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA which are effective for the Group’s financial year beginning on 1st January, 2009.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 8	Operating Segments

The adoption of the new HKFRSs, except for HKAS 1 (Revised) and HKFRS 8 as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

HKAS 1 (Revised) introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

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

HKFRS 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal purposes. This has not resulted in any material impact on the Group's financial statement.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will result therefrom.

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 Period are as follows:

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Revenues		
Turnover from sales of mobile phones and accessories, net	2,395,072	3,602,986
Rental income		
— investment property	684	762
— others	909	1,419
Repair service income, net	133	142
Other revenues	78	—
	<hr/>	<hr/>
Total	2,396,876	3,605,309
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2. Revenue, income and segment information *(Continued)*

Segment information

The chief operating decision-maker has been identified as the board of executive directors which comprises the executive chairman, deputy executive chairman and the chief executive officer of the Group. The board of executive directors reviews the Group's internal reporting in order to assess performance and allocate resources. They have determined the operating segments based on these reports.

The Group manages its business by business lines and the board of executive directors has determined that the two key segments are (i) trading and distribution of mobile phones and accessories; and (ii) retail sales of mobile phone and accessories. Other operations of the Group comprise investment holdings and inbox accessories design and supply which do not meet the quantitative thresholds required by HKFRS 8 and are reported as other segments.

The board of executive directors measures the performance of the segments based on a measure of profit after tax. Information provided to the board of executive directors is measured in a manner consistent with that in the financial statements.

2. Revenue, income and segment information (Continued)

Segment information (Continued)

The segment results for the six months ended 30th June, 2009 are as follows:

	Trading and distribution of mobile phones and accessories <i>HK\$'000</i>	Retail sales of mobile phones and accessories <i>HK\$'000</i>	All other segments <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June, 2009				
Revenues	2,302,270	94,606	–	2,396,876
Segment results	9,832	(4,677)	(4,106)	1,049
Depreciation and amortisation	3,441	920	–	4,361
Reversal of impairment of trade receivables	682	115	–	797
Impairment of inventories	212	7	–	219
Finance income	2,919	505	6	3,430
Finance costs	25,301	567	13	25,881
Share of loss of an associated company	–	–	170	170
Taxation	(10,000)	(7)	–	(10,007)
Total segment assets	2,680,184	143,305	4,203	2,827,692
Total segment assets include: Investment in an associated company	–	–	2,156	2,156
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,472	351	–	1,823
Six months ended 30th June, 2008				
Revenues	3,447,836	157,473	–	3,605,309
Segment results	37,908	(16,082)	(4,879)	16,947
Depreciation and amortisation	3,388	1,045	–	4,433
Impairment/(reversal of impairment) of trade receivables	2,824	(1,094)	–	1,730
Impairment of inventories	1,485	93	–	1,578
Finance income	4,777	1,512	289	6,578
Finance costs	31,364	948	444	32,756
Taxation	12,712	–	–	12,712
Total segment assets	2,796,354	204,438	1,774	3,002,566
Total segment assets include: Investment in an associated company	–	–	1,231	1,231
Additions to non-current assets (other than financial instruments and deferred tax assets)	2,365	903	–	3,268
As at 31st December, 2008				
Total segment assets	2,762,993	153,021	3,241	2,919,255
Total segment assets include: Investment in an associated company	–	–	2,331	2,331
Additions to non-current assets (other than financial instruments and deferred tax assets)	6,384	1,748	–	8,132

2. Revenue, income and segment information (Continued)

Segment information (Continued)

The Company is domiciled in Hong Kong. For the six months ended 30th June, 2009, its revenue from external customers in Hong Kong and other countries is HK\$1,907,620,000 (for the six months ended 30th June, 2008: HK\$3,097,138,000) and HK\$489,256,000 (for the six months ended 30th June, 2008: HK\$508,171,000) respectively.

As at 30th June, 2009, total non-current assets other than financial instruments and deferred tax assets located in Hong Kong and other countries is HK\$46,224,000 (as at 31st December, 2008: HK\$48,390,000; as at 30th June, 2008: HK\$46,406,000) and HK\$31,597,000 (as at 31st December, 2008: HK\$33,302,000; as at 30th June, 2008: HK\$35,665,000) respectively.

3. Other income and expenses

Other income and expenses mainly comprised gain on derivative financial instruments at fair value and exchange losses for the six months ended 30th June, 2009.

4. Operating profit

Operating profit is stated after charging and (crediting) the following:

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Cost of inventories sold	2,278,286	3,428,396
Depreciation		
— owned fixed assets	3,010	3,227
— leased fixed assets	964	809
— investment property	88	98
Amortisation of leasehold land (note 9)	299	299
Exchange losses	705	3,973
Gain on derivative financial instruments	(1,233)	(483)
	_____	_____

5. Finance income and costs

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Bank interest income	3,430	6,578
Interest expenses on:		
— bank loans and overdrafts	21,185	20,478
— finance leases	113	94
Bank and other charges	4,583	12,184
	25,881	32,756

6. Taxation

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong profits tax (<i>note (i)</i>)	789	2,925
Overseas taxation (<i>note (ii)</i>)	1,108	4,289
(Over)/under provision of taxation in prior years	(2,970)	59
Deferred taxation	(8,934)	5,439
	(10,007)	12,712

Notes:

- (i) Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the Period.
- (ii) Taxation on overseas profits has been calculated on the estimated assessable profit for the Period 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 six months ended 30th June, 2009 are calculated based on the profit attributable to equity holders of the Company of HK\$1,047,000 (2008: HK\$16,947,000) and on the weighted average of 1,945,696,565 (2008: 1,945,696,565) shares in issue during the Period.

The Company's share options do not have a dilutive effect on earnings per share as at 30th June, 2009 (2008: None).

8. Dividend

The Directors do not recommend the payment of an interim dividend for the six month ended 30th June, 2009 (2008: None).

9. 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, 2009	8,650	23,009	47,702
Exchange differences	(156)	—	(419)
Additions	—	—	1,823
Amortisation/depreciation	(88)	(299)	(3,974)
Disposals	—	—	(583)
Net book value as at 30th June, 2009	8,406	22,710	44,549
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)
Net book value as at 30th June, 2008	9,234	23,308	48,298

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 longer credit period may be granted on a case by case basis.

At 30th June, 2009, the ageing analysis of the trade receivables was as follows:

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
1-30 days	158,687	323,634
31-60 days	89,854	386,735
61-90 days	264,096	438,962
91-120 days	206,297	501,313
Over 120 days	1,212,094	58,372
Less: provision for impairment	(69,546)	(71,017)
	<u>1,861,482</u>	<u>1,637,999</u>

11. Trade payables

At 30th June, 2009, the ageing analysis of the trade payables was as follows:

	30th June, 2009 HK\$'000	31st December, 2008 HK\$'000
1-30 days	229,043	293,367
31-60 days	59,178	380,834
61-90 days	102,992	126,579
91-120 days	129,452	1,285
Over 120 days	208,170	8,660
	<u>728,835</u>	<u>810,725</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

In the first half of 2009, the Group maintained its position as one of the key distributors in the region. It distributed over 110 models and sold approximately 2.1 million units of mobile phones.

During the period under review, the Group's Malaysian subsidiary enriched its Samsung product portfolio by acquiring distribution rights of 10 new models, namely B2100, C5212, E1070, E1100, Jet (S8003), Omnia II (i8000), Omnia HD (i8910), S7220, S8300 and Star (S5233). Samsung maintained its position as the second largest mobile phone brand in Malaysia with a market share of approximately 20% during the Period.

The Group's subsidiary in the Philippines acquired distribution rights of 10 new Samsung models, namely B2100, C5212, E1070, E1100, Jet (S8003), Omnia II (i8000), Omnia HD (i8910), S7220, S8300 and Star (S5233). Samsung's market share maintained at 20% , making it the second largest mobile phone brand 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. The marketing strategies include implementation of a series of tailor-made marketing campaigns in collaboration with globally renowned brands and joint promotion with Hong Kong's reputable banks in the year-round programs to gain regular brand exposure.

The Group's house brand, éTouch continues to grow in strength and for the Period, accounted for 16% of the Group's sales volume (2008 whole year: 4%) and contributed HK\$13 million to the Group's pre-tax profit during the Period. The éTouch product portfolio offers consumers in developing markets an excellent value-for-money proposition to a market segment that is brand indifferent. The Group currently distributes éTouch in Malaysia, Vietnam, Indonesia, Philippines and India.

The Group's mobile payment business development has matured considerably since our initial investment in early 2008. Discussions are currently underway with several banks in Malaysia, Indonesia and Thailand for the eventual commercial rollout of the mobile banking services.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Financial Review

Turnover for the first half of financial year 2009 totalled HK\$2,395 million, a decrease of 34% over the corresponding period in 2008. Sales volume totalled 2.1 million units for the Period, down 19% over the corresponding six months of 2008. The decline is attributable to the generally weak market conditions in the region.

Gross profit for the first six months was HK\$100 million, a decrease of 38% compared to the corresponding period in 2008. Gross profit margin decreased to 4.2% (2008: 4.5%).

Selling and distribution expenses decreased 8% from HK\$29 million to HK\$27 million mainly due to a decrease in turnover. General and administrative expenses decreased by HK\$13 million compared to the corresponding period in 2008 mainly due to the various cost-cutting measures implemented by the Group.

Other expenses in the first half of 2009 mainly comprised of foreign exchange losses. There is no material change in other income.

Finance income decreased by HK\$3 million compared to the previous corresponding period due to lower interest rates offered on the Group's cash deposits.

Finance costs reduced by HK\$7 million in the first half of 2009 due mainly to the decrease in total purchases.

Inventory level declined by HK\$301 million to HK\$250 million mainly due to the general decrease in business volume during the period under review. Average inventory turnover days shortened to 25 days in the first half of 2009 (2008 full year: 30 days). In view of the ongoing weak market sentiment, management will exercise more care and prudence in purchasing.

The unprecedented global economic slowdown has undoubtedly affected our sales and collection. Trade receivables rose by HK\$0.2 billion to HK\$1.9 billion as at 30th June, 2009 and average trade receivable turnover days was 147 days (2008 full year: 84 days). Management had put in place appropriate measures to improve the collection and turnaround times.

Trade payables, bills payables and bank loans and overdrafts decreased by HK\$82 million, HK\$25 million and HK\$66 million respectively compared to the corresponding period due to the general reduction in business volume during the period under review.

Other payables and accrued charges increased by HK\$69 million mainly due to increase in advance payments from customers and VAT payable.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Liquidity and Financial Resources

As at 30th June, 2009, bank balances and cash of the Group were HK\$444 million (as at 31st December, 2008: HK\$507 million), of which HK\$390 million (as at 31st December, 2008: HK\$409 million) were pledged for general banking facilities. Total borrowings (excluding bills payables) of the Group amounted to HK\$681 million (as at 31st December, 2008: HK\$725 million), comprising long-term bank loans of HK\$29 million (as at 31st December, 2008: HK\$6 million), obligations under finance lease of HK\$4 million (as at 31st December, 2008: HK\$6 million), and short-term bank loans and overdrafts of HK\$648 million (as at 31st December, 2008: HK\$713 million).

The gearing ratio (total borrowings/total assets) of the Group as at 30th June, 2009 was 24% (as at 31st December, 2008: 25%).

Investment property, freehold properties and certain leasehold land and buildings of the Group with carrying values of HK\$55 million (as at 31st December, 2008: HK\$56 million) were also pledged as security for the Group's general banking facilities.

Except for trust receipts of HK\$214 million (as at 31st December, 2008: HK\$368 million) denominated in USD, HK\$32 million (as at 31st December, 2008: HK\$66 million) denominated in Euro, short-term bank loans of HK\$76 million (as at 31st December, 2008: nil) denominated in USD and HK\$54 million (as at 31st December, 2008: HK\$0.3 million) denominated in Malaysian Ringgit (RM), all other short-term bank loans and overdrafts are denominated in HK\$. All short-term bank loans and overdrafts are repayable within one year, of which HK\$5 million is subject to fixed interest rates.

All long-term borrowings are repayable within 5 years, of which HK\$3 million and HK\$30 million are subject to fixed and floating interest rates respectively. Long-term borrowings as at 30th June, 2009 denominated in HK\$, RM, and other currencies were HK\$4 million (as at 31st December, 2008: HK\$5.2 million), HK\$29 million (as at 31st December, 2008: HK\$5.4 million) and HK\$0.5 million (as at 31st December, 2008: HK\$0.9 million) respectively.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

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, 2009, the Group had approximately HK\$28 million (as at 31st December, 2008: HK\$38 million) outstanding forward exchange contracts and six outstanding target accrual redemption forward contracts to manage the foreign exchange risk. The Group does not engage in foreign currency speculative activities.

In 2008, the Group has entered into six structured forward contracts with two banks in Hong Kong with contract period ending August and September 2010. Pursuant to these contracts, the Group is obligated to purchase a pre-determined amount of USD at an exchange rate of approximately HK\$7.73 per USD1.00 ("Contract Rate") on a monthly basis. Subject to the spot HK\$/USD exchange rate at each transaction date, amount of USD the Group is obligated to purchase in the second half of 2009 and 2010 pursuant to these contracts ranged from USD5 million to USD237 million.

Also, these contracts will be knocked out if accumulated profits earned by the Group for each individual contract reached HK\$800,000 or the contract resulted in a gain position for the Group for a total of 12 months during the contract period.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30th June, 2009.

Employees

As at 30th June, 2009 the Group had 754 (as at 31st December, 2008: 726) employees. Total employee remuneration, including that of the Directors, for the six months ended 30th June, 2009 amounted to HK\$46 million (six months ended 30th June, 2008: HK\$52 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.

BUSINESS REVIEW AND OUTLOOK *(Continued)*

Future Plans and Prospects

The Group will remain focused on its core business of mobile phone distribution and continue to build upon our strengths and competencies.

Integral to our ongoing transformation strategy, we will continue to build on our éTouch brand equity and grow the éTouch business in existing markets as well as expand our reach into potentially lucrative new markets. We are excited by the prospects of the expanded éTouch product portfolio which includes numerous innovative and exciting new features which we believe to have strong market potential. We expect average selling price and margins to further improve as we focus on growing the mid to high-end segment of this business.

We will continue to actively develop the mobile payment business in the existing targeted markets, and look forward to the rollout of commercial services within the next six months. While that is ongoing, we will also continue to seek and explore potential opportunities in new markets, including China.

Building on our existing strong foundation, the Group looks forward to sustaining growth of business with an aim 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, 2009	Granted during the Period	Exercised during the Period	Forfeited during the Period	At 30th June, 2009	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	—	—	(1,600,000)	78,000,000	11th July, 2007	11th October, 2007 to 10th January, 2011	0.265
	13,100,000	—	—	(600,000)	12,500,000	11th July, 2007	11th November, 2007 to 10th January, 2011	0.265
	<u>184,700,000</u>	<u>—</u>	<u>—</u>	<u>(2,200,000)</u>	<u>182,500,000</u>			

Notes:

- (i) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (ii) The Group had charged share-based payments of HK\$0.6 million against earnings for the six month ended 30th June, 2009 (2008: HK\$1.9 million).
- (iii) As at 30th June, 2009, a total of 152,230,000 options were exercisable.
- (iv) As at 30th June, 2009, the outstanding options have a remaining contractual life of 1.53 years.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th June, 2009, 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.

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

Save as disclosed above, as at 30th June, 2009, 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 Period 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, 2009, 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 had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, 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 18th December, 2008, revised and approved a code of conduct (the "New Code") to govern securities transaction by its Directors modeled on terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules as amended from time to time.

Having made specific enquiry, all Directors have confirmed compliance with the code of conduct throughout the Period.

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 17th April, 2009 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, 2009 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, 2009.

By order of the Board

Ng Kok Hong

Executive Chairman

Hong Kong, 25th September, 2009

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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