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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 865)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 30 June 2013 (the "Period") together with the unaudited comparative figures:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		For the six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4/5*	**40**	22,021
Cost of sales		**(89)**	(22,226)
Gross loss		**(49)**	(205)
Other income		**5,835**	4,411
Selling and distribution expenses		**(4)**	(635)
General and administrative expenses		**(4,731)**	(6,503)
Other operating expenses		**(3,418)**	(1,574)
Provision for financial guarantee liabilities		**(1,883)**	(29,432)
Gain on deconsolidation of a liquidating subsidiary	6	**–**	23,664

* *For identification purpose only*

	Notes	For the six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	2012 *HK$'000* (unaudited)
Loss from operations		**(4,250)**	(10,274)
Finance costs	*7*	**(81,456)**	(85,513)
Loss before tax	*8*	**(85,706)**	(95,787)
Income tax	*9*	**–**	–
Loss for the period		**(85,706)**	(95,787)
Attributable to:			
Owners of the Company		**(85,706)**	(95,787)
Non-controlling interests		**–**	–
		(85,706)	(95,787)
Loss per share	*10*		
Basic and diluted (HK cents per share)		**(4.40)**	(4.92)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(85,706)**	(95,787)
Other comprehensive income after tax:		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**7,456**	2,706
Total comprehensive loss for the period	**(78,250)**	(93,081)
Attributable to:		
Owners of the Company	**(78,250)**	(93,081)
Non-controlling interests	**–**	–
	(78,250)	(93,081)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Non-current asset			
Property, plant and equipment	*12*	**422**	777
Current assets			
Inventories		**5**	74
Trade receivables	*13*	**796**	868
Prepayments, deposits and other receivables		**3,325**	3,863
Bank and cash balances		**414**	678
		4,540	5,483
Current liabilities			
Trade and bills payables	*14*	**544,250**	546,246
Accruals and other payables		**677,997**	623,718
Bank borrowings		**493,462**	468,745
Finance lease payables		**–**	106
Current tax liabilities		**1,864**	1,913
Financial guarantee liabilities	*15*	**58,932**	58,936
Convertible loans	*16*	**32,979**	32,868
		1,809,484	1,732,532
Net current liabilities		**(1,804,944)**	(1,727,049)
Total assets less current liabilities		**(1,804,522)**	(1,726,272)
NET LIABILITIES		**(1,804,522)**	(1,726,272)

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and reserves		
Share capital	**194,600**	194,600
Reserves	**(1,997,590)**	(1,919,340)
Equity attributable to owners of the Company	**(1,802,990)**	(1,724,740)
Non-controlling interests	**(1,532)**	(1,532)
TOTAL EQUITY	**(1,804,522)**	(1,726,272)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

First Mobile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, KY1-1106, Grand Cayman, Cayman. The address of its principal place of business is Workshop 6, Level 1, Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its shares have been suspended from trading since 27 November 2009.

The Company is an investment holding company. The Group's principal activities have not changed during the Period and is engaged in the trading and distribution of mobile phones and related accessories.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group incurred a loss attributable to owners of the Company of approximately HK$85,706,000 for the six months ended 30 June 2013 (2012: HK$95,787,000) and as at 30 June 2013 the Group had net current liabilities of approximately HK$1,804,944,000 (31 December 2012: HK$1,727,049,000) and net liabilities of approximately HK$1,804,522,000 (31 December 2012: HK$1,726,272,000) respectively.

The conditions above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address the issues above, the Company had explored and negotiated with its creditors and potential investor for a revised proposed restructuring of the Group (the "Revised Proposed Restructuring") which is included in the revised resumption proposal of the Company being submitted to the Stock Exchange on 4 December 2012 (the "Revised Resumption Proposal"), details of which were announced and are summarised below (capitalised terms used in this note have the same meaning as in their respective announcements):

– Pursuant to the Subscription Agreement dated 27 August 2010 (as amended by the side letters dated 15 September 2010, 23 December 2010, 31 March 2011 and 7 July 2011, 2 November 2011 and 30 March 2012, and the supplemental subscription agreement dated 28 September 2010), the Company has conditionally agreed to allot and issue to the Investor, and the Investor has conditionally agreed to subscribe for 925,714,285 Subscription Shares, at a Subscription Price of approximately HK$0.175 per Subscription Share, for a total cash consideration, before expenses, of HK$162 million.

– At the Scheme Meeting held on 21 December 2010, the Creditor Schemes proposed to be entered into between the Company and the Creditors were unanimously approved by the Creditors attending and voting at the meeting in person or by proxy.

– On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court and on 28 April 2011, the Cayman Scheme was sanctioned by the Grand Court. The Hong Kong Scheme and the Cayman Scheme will become effective and legally binding on the Company and the Creditors upon fulfillment of the specified conditions precedent to the Subscription Agreement.

– On 24 November 2012, the Company entered into the Term Sheet with CWCPI and the Julong Management Shareholders pursuant to which the Company proposed to acquire the entire equity interest in Julong at a consideration of approximately HK$680 million (subject to adjustments pursuant to the Term Sheet) to be satisfied through the issue of the Consideration Shares.

– Subsequent to the Term Sheet, CWCPI has transferred its entire equity interest in Julong to Energy Industry. On 21 January 2013, the Company entered into the acquisition agreement (the "Acquisition Agreement") with Energy Industry and the Julong Management Shareholders pursuant to which the Company agreed to acquire 57.55% equity interests in Julong at a consideration of HK$391.34 million to be satisfied through the issue of the Consideration Shares. Pursuant to the Term Sheet and the Subscription Agreement (as amended and revised on 4 December 2012 and 6 February 2013 to facilitate the transaction contemplated under the Term Sheet and the Acquisition Agreement), the Investor will subscribe for 1,337,264,151 shares (instead of 925,714,285 shares).

– On 22 March 2013, the Company entered into the Option Agreement with Apex Ocean pursuant to which Apex Ocean has agreed to grant to the Company a call option to acquire 42.45% equity interests in Julong at a consideration of HK$288.66 million to be satisfied through the issue of the Consideration Shares.

The Proposed Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules and is therefore subject to the approval of the Stock Exchange and Independent Shareholders of the Company. Pursuant to Rule 14.54 of the Listing Rules, the Stock Exchange will treat a listed issuer proposing a reverse takeover as if it were a new listing applicant. Accordingly, the Company will be treated as if it were a new listing applicant.

Further details of the Proposed Acquisition are described in the Company's announcements dated 21 December 2012, 18 January 2013, 13 May 2013, 24 June 2013 and 19 July 2013.

Subsequent to the signing of the Acquisition Agreement (as amended by supplemental agreements dated 22 March 2013 and 30 July 2013) and the Option Agreement, to facilitate the execution process for the acquisition of the entire equity interest in Julong, the Company had, on 30 July 2013, further entered into (i) a deed of termination (the "Deed of Termination") with Apex Ocean to terminate the Option Agreement; (ii) the sale and purchase agreement with Decent Glory Limited ("Decent Glory") in respect of the acquisition of the entire issued share capital of Apex Ocean ("Apex Ocean SPA") (in place of the arrangement to acquire the Remaining Julong Shareholder equity interest through the Option Agreement) at a consideration of HK$288.66 million, the entire amount of which would be satisfied by the allotment and issue of the Consideration Shares.

Information relating to the Proposed Acquisition and Apex Ocean SPA as required under the code on Takeovers and Mergers and the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a joint announcement to be issued by the Company, Energy Industry and Decent Glory.

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared on a going concern basis, as the Company has submitted the Revised Resumption Proposal, the successful implementation of which will affect the principal elements of the Revised Proposed Restructuring and allow the trading in the shares of the Company being resumed. The Directors are of the view that the major procedures of the Revised Proposed Restructuring will eventually be agreed upon by the Company's Creditors, the Investor, the Vendors, the Company's shareholders and any other parties concerned, and will be successfully implemented.

The Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and mandatorily effective for its accounting periods beginning on or after 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE

Revenue comprises the fair value of the consideration for the sale of goods in the ordinary course of the Group's activities for the six months ended 30 June. Revenue is shown net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The Group has only one operating segment of trading and distribution of mobile phones and related accessories. The information of the Group's operating and reportable segments is analysed as follows:

Information about reportable segment profit or loss and segment assets:

	Trading and distribution of mobile phones and related accessories	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Six months ended 30 June:		
Revenue from external customers	**40**	22,021
Segment loss	**4,251**	10,275
Interest income	**1**	1
Interest expenses	**81,456**	85,513
Depreciation	**275**	308
Other material non-cash items:		
Impairment reversed in respect of trade receivables	**53**	–
Impairment reversed in respect of prepayments, deposits and other receivables	**2,601**	–
Impairment recognised in respect of trade receivables	**–**	222
Impairment recognised in respect of prepayments, deposits and other receivables	**–**	135

	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At 30 June 2013/31 December 2012:		
Segment assets	**4,962**	6,260

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Total loss of reportable segments	**(4,251)**	(10,275)
Corporate and unallocated loss	**(81,455)**	(85,512)
Consolidated loss before tax	**(85,706)**	(95,787)

6. GAIN ON DECONSOLIDATION OF A LIQUIDATING SUBSIDIARY

As detailed in the Company's announcement dated 17 February 2012, a winding-up order was issued by the High Court of Malaya, Kuala Lumpur on 14 February 2012 ordering among other things that Mobile Distribution (M) Sdn. Bhd. ("MDM"), an indirect wholly-owned subsidiary of the Company, be wound up and that the Official Receiver of Malaysia be appointed as liquidator of MDM. The Directors considered that the control over MDM has been lost since then. The results, assets and liabilities, and cash flows of MDM were deconsolidated from the Group's consolidated financial statements with effect from 14 February 2012.

	HK$'000
Net liabilities of the subsidiary deconsolidated:	
Cash and bank balances	2
Trade and bills payables	(5,527)
Accruals and other payables	(112)
Amount due to the Group	(23,981)
Bank overdrafts	(2,582)
Bank borrowings	(17,803)
Net liabilities of the deconsolidated subsidiary	(50,003)
Impairment of amount due from the deconsolidated subsidiary	23,981
Release of the related foreign currency translation reserves	2,358
Gain on deconsolidation of a liquidating subsidiary	(23,664)

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expenses on:		
– bank borrowings	**28,532**	31,701
– finance lease	**13**	20
– convertible loans	**627**	1,803
– trade payables	**52,284**	51,989
	81,456	85,513

8. LOSS BEFORE TAX

The Group's loss before tax for the period is arrived at after charging/(crediting) the amounts as set out below.

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**(118)**	(44)
Cost of inventories sold	**89**	22,226
Impairment (reversed)/recognised in respect of trade receivables	**(53)**	222
Impairment (reversed)/recognised in respect of prepayments, deposits and other receivables	**(2,601)**	135
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**1,542**	3,456
– retirement benefits scheme contributions	**38**	97
	1,580	3,553
Depreciation	**275**	308
Provision for legal cases *(note)*	**3,520**	–
Net exchange gains	**(3,051)**	(4,273)

Note: During the Period, the Group had provisions in respect of two legal proceedings against one of the subsidiaries of the Company, First Mobile Group Sdn. Bhd. ("FMGSB") in Malaysia. The Directors are of the view that adequate provision has been made against the claims at the end of the reporting period. Further details are set out in the announcements of the Company dated 1 March 2013, 19 April 2013, 9 May 2013 and 25 July 2013.

9. INCOME TAX

No provision for profits tax has been made as the Group did not generate any assessable profit for each of the six months ended 30 June 2013 and 2012.

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK$85,706,000 (2012: HK$95,787,000) and the weighted average number of 1,945,996,565 (2012: 1,945,996,565) ordinary shares in issue during the period.

Diluted loss per share

No adjustment has been made to the basic loss per share in respect of a dilution as the exercise of the Group's outstanding convertible loans would be anti-dilutive for both periods.

11. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: None).

12. PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	Property, plant and equipment	Property, plant and equipment
	HK$'000	*HK$'000*
Carrying amounts at 1 January (audited)	**777**	1,132
Exchange differences	**(6)**	21
Additions	**–**	358
Depreciation	**(275)**	(308)
Disposals	**(74)**	(77)
Carrying amounts at 30 June (unaudited)	**422**	1,126

13. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 30 days, except for the sales made to certain creditworthy customers to which a longer credit period may be granted on a case by case basis.

The ageing analysis of trade receivables at the end of the reporting period is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
1-30 days	**–**	173
31-60 days	**–**	21
61-90 days	**–**	–
91-120 days	**–**	21
Over 120 days	**1,238,617**	1,239,000
Less: Impairments	**(1,237,821)**	(1,238,347)
	796	868

14. TRADE AND BILLS PAYABLES

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**434,057**	435,603
Bills payables	**110,193**	110,643
	544,250	546,246

At the end of the reporting period, the ageing analysis of the trade payables is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
1-30 days	**–**	9
31-60 days	**–**	16
61-90 days	**–**	178
91-120 days	**–**	–
Over 120 days	**434,057**	435,400
	434,057	435,603

15. FINANCIAL GUARANTEE LIABILITIES

GROUP

The Company and FMGSB have given corporate guarantees to certain banks to secure general banking facilities of Exquisite Model Sdn. Bhd. ("EM") and MDM totaling approximately HK$58,932,000 (2012: HK$58,936,000). In view that EM and MDM are currently in liquidation, and on ground that the potential claims of these corporate guarantees granted by the Company and FMGSB may be exercised by the relevant banks, a provision for financial guarantee liabilities of approximately HK$58,932,000 (2012: HK$58,936,000) have been made against the potential uncovered exposures to be borne by the Company and FMGSB under such guarantees.

16. CONVERTIBLE LOANS

(a) Time Boomer Limited ("Time Boomer"), a party nominated by the Investor to provide HK$13 million out of HK$50 million standby working capital facility pursuant to the terms of the Exclusivity Agreement, entered into the Loan Agreement (the "Time Boomer Loan" or the "Time Boomer Convertible Loan") with Mobile Distribution Limited ("MDL"), a wholly-owned subsidiary of the Company. The Time Boomer Loan is convertible into 74,285,714 Adjusted Shares of the Company at HK$0.175 per share upon fulfillment of certain conditions precedent as described in the Company's announcement dated 14 July 2011 (the "14 July 2011 Announcement").

The Time Boomer Loan shall be initially repayable in full by 31 December 2012 (see Note (d)) if the Time Boomer Loan has not been converted by then. Interest of 8 per cent per annum will be paid monthly up until the Time Boomer Loan is converted or redeemed.

The interest charged for the year is calculated by applying an effective interest rate of 8.63% (2012: 12.01%) per annum to the liability component.

The Time Boomer Convertible Loan is secured by (i) the FMG Share Charge over a total of 68.5% of the entire issued shares of the Company held by the Major Shareholders; (ii) the Personal Guarantees given by Mr. Ng Kok Hong and Ms. Tan Sook Kiang; (iii) the share charges over the entire issued share capital of MDL; and (iv) the Fixed and Floating Charge over the assets of MDL. The FMG Share Charge, the Personal Guarantees and the Fixed and Floating Charge will continue to be in force and, subject to the terms and conditions as further described in the 14 July 2011 Announcement.

(b) First Apex Investments Limited ("First Apex"), a party nominated by the Investor to provide HK$20 million out of HK$50 million standby working capital facility pursuant to the terms of the Exclusivity Agreement, entered into the Loan Agreement (the "First Apex Loan" or "First Apex Convertible Loan") with MDL. The First Apex Loan is convertible into 114,285,714 convertible preference shares of HK$0.005 each of the Company ("CPS") at HK$0.175 per CPS which in turn is convertible into one Adjusted Share of the Company, upon fulfillment of certain conditions precedent as described in the Company's announcement dated 14 February 2012 (the "14 February 2012 Announcement").

The First Apex Loan shall be initially repayable in full on 31 December 2012 (see Note (d)) if the First Apex loan has not been converted by then. The First Apex Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of 0.93% (2012: 10.35%) per annum to the liability component.

The First Apex Convertible Loan is secured by (i) the FMG Share Charge over a total of 68.5% of the entire issued shares of the Company held by the Major Shareholders; (ii) the Personal Guarantee given by Mr. Ng Kok Hong; (iii) the share charges over the entire issued share capital of MDL; and (iv) the Fixed and Floating Charge over the assets of MDL. The FMG Share Charge, the Personal Guarantee and the Fixed and Floating Charge will continue to be in force and, subject to the terms and conditions as further described in the 14 February 2012 Announcement.

(c) The liability components of the Time Boomer and First Apex Convertible Loans at the end of the reporting period is analysed as follows:

	Convertible Loans – Group		
	Time Boomer	**First Apex**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Liability components at 1 January 2013	12,976	19,892	32,868
Interest charged *(note d)*	536	91	627
Interest paid	(516)	–	(516)
Liability components at 30 June 2013	12,996	19,983	32,979

(d) On 4 December 2012, the Company entered into side letters with Time Boomer and First Apex to, among other matters, extend the repayment dates under Time Boomer Loan and First Apex Loan from 31 December 2012 to 28 February 2013. On 5 February 2013, the Company entered into additional side letters with Time Boomer and First Apex to further extend the repayment dates from 28 February 2013 to 30 September 2013. Upon the extension of the maturity of both loans, the difference between the amortised cost of the loans at the date of modification and the present value of the extended loans discounted by the original effective interest rate, will be recognised in profit or loss in future periods through the revised effective interest rate.

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

A statutory demand dated 15 July 2013 (the "Statutory Demand") was served on FMGSB for a judgement sum granted by Shah Alam High Court in Malaysia on 31 July 2012. In the opinion of the Directors, adequate provision has been made against the aforesaid claim at the date of the reporting period. Further details of the case are set out in the announcement of the Company dated 25 July 2013.

The Company had, on 30 July 2013, further entered into (i) the Deed of Termination with Apex Ocean to terminate the Option Agreement; (ii) Apex Ocean SPA with Decent Glory in respect of the acquisition of the entire issued share capital of Apex Ocean (in place of the arrangement to acquire the Remaining Julong Shareholder equity interest through the Option Agreement) at a consideration of HK$288.66 million, the entire amount of which would be satisfied by the allotment and issue of the Consideration Shares; and (iii) second supplemental agreement to the Acquisition Agreement. Further announcement(s) will be made by the Company in this regard.

18. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the board of Directors on 22 August 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2013, the Group continued to focus mainly on the trading and distribution of its house brand mobile phones.

The Group has been operating on a very tight working capital cycle following the withdrawal of credit facilities by the Group's banks and trade creditors since 2009. Accordingly, the management has taken appropriate measures to reduce overheads and financial commitments where possible to ensure that its limited working capital is deployed in the most effective manner to enhance the Group's financial position.

Financial Review

The Group recorded a turnover of approximately HK$40,000 for the first half of financial year 2013 ("FY2013"), representing a decrease of 99.8% over the corresponding period in 2012. The decrease in turnover is mainly attributable to the generally weak market conditions for house brand mobile phones and the scale-down of operations in Indonesia. In relation to this, the Group recorded a gross loss of approximately 122.5% in the first half of FY2013 as compared to a gross loss of approximately 0.9% in the corresponding period.

The Group recorded an other income of approximately HK$5.8 million for the first half of FY2013, representing an increase of 32.3% compared to the previous corresponding period mainly due to the reversal of impairment on other receivables.

The Group's general and administrative expenses decreased by approximately HK$1.8 million compared to the corresponding period in 2012 mainly due to the various cost-cutting measures implemented by the Group.

Finance costs decreased by approximately HK$4.1 million compared to the previous corresponding period mainly due to the decrease in finance cost of bank borrowings and convertible loans.

The Group's provision for financial guarantee liabilities decreased by 93.6% from approximately HK$29.4 million to approximately HK$1.9 million mainly due to the provision for potential claims (comprising principal and interest) under the corporate guarantee granted to wholly-owned subsidiaries which were deconsolidated from the Group's consolidated financial statements in previous years as compared to the provision for interest portion of the said corporate guarantee for the first half of FY2013.

The loss attributable to owners of the Company was approximately HK$85.7 million for the first half of FY2013, representing loss per share of HK4.40 cents as compared to a loss of approximately HK$95.8 million for the corresponding period in 2012, representing loss per share of HK4.92 cents.

Liquidity and Financial Resources

As at 30 June 2013, bank and cash balances of the Group were approximately HK$0.4 million (as at 31 December 2012: HK$0.68 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2013 was 11,797% (as at 31 December 2012: 8,956%).

As at 30 June 2013, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2012: secured by the corporate guarantees granted by the Company).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2013.

Employees

As at 30 June 2013, the Group had 10 (as at 31 December 2012: 11) employees. The total of employee remuneration, including that of the Directors, for the six months ended 30 June 2013 amounted to approximately HK$1.6 million (six months ended 30 June 2012: HK$3.6 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Future Plans and Prospects

As at the reporting date, the Group still remains focused on its core business of trading and distribution of mobile phones and related accessories.

Additionally, the Group will continue to explore viable and profitable business opportunities to enhance shareholders' value and strengthen its financial foundations.

Dealing in the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 27 November 2009. The Stock Exchange had on 20 June 2012 placed the Company in the third delisting stage under Practice Notice 17 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company has submitted a revised resumption proposal to the Stock Exchange on 4 December 2012 (the "Revised Resumption Proposal") which includes, among other things, a proposed acquisition (the "Proposed Acquisition") which constitutes a very substantial acquisition, a reverse takeover and a connected transaction for the Company under the Listing Rules and will be subject to the approval of the Stock Exchange and independent shareholders of the Company. Pursuant to Rule 14.54 of the Listing Rules, the Stock Exchange will treat a listed issuer proposing a reverse takeover as if it were a new listing applicant. Accordingly, the Company will be treated as if it were a new listing applicant.

Further details of the Proposed Acquisition are described in the Company's announcements dated 21 December 2012, 18 January 2013, 13 May 2013 and 24 June 2013.

The Stock Exchange has previously allowed the Company to submit the new listing application (the "New Listing Application") relating to the Revised Resumption Proposal (and not any other proposal) under the Listing Rules on or before 19 July 2013.

However, as set out in the Company's announcement dated 19 July 2013, a new sponsor of the Company has been appointed on 17 July 2013 in place of the previous sponsor in connection with the New Listing Application. As such, additional time is required to allow the new sponsor to complete the relevant necessary work in respect of the New Listing Application. An application has been made to the Stock Exchange to seek an extension of time for the Company to make the submission of the New Listing Application.

Subsequent to the end of the reporting period, the Company had, on 30 July 2013, entered into further agreements in respect of the Proposed Acquisition as set out in note 2 to the Interim Financial Statements.

Further announcement(s) will be made by the Company as and when appropriate to update the Shareholders and the investing public in relation to the Revised Resumption Proposal of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2013, 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:

SHARES IN THE COMPANY

	Number of Shares of HK$0.10 each				Percentage
Name of Director	**Personal interests**	**Family interests** *(note (i))*	**Corporate interests** *(note (ii))*	**Total**	**of issued share capital**
Mr. Ng Kok Hong	596,766,389	9,088,625	–	605,855,014	31.13%
Mr. Ng Kok Tai	–	–	596,766,389	596,766,389	30.67%
Mr. Ng Kok Yang	146,944,889	–	–	146,944,889	7.55%

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.

SHARES IN AN ASSOCIATED CORPORATION

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

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

Save as disclosed above, as at 30 June 2013, 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

Chongqing Fuling Energy Industry Group Co., Ltd 重慶涪陵能源實業集團有限公司 ("Energy Industry")

On 24 November 2012, the Company entered into the term sheet (the "Term Sheet") with Chongqing Fuling Water Conservancy and Power Investment Group 重慶市涪陵水利電力投資集團有限責任公司 ("CWCPI") and the management shareholders of Chongqing Fuling Julong Electric Power Co., Ltd. ("Julong") (the "Julong Management Shareholders") pursuant to which the Company proposed to acquire the entire equity interest in Julong at a consideration of approximately HK$680 million to be satisfied through the issue of the Consideration Shares (the "Proposed Acquisition").

Subsequent to the Term Sheet, CWCPI has transferred its entire equity interest in Julong to Energy Industry.

On 21 January 2013, the Company entered into the acquisition agreement with Energy Industry and the Julong Management Shareholders for the Proposed Acquisition (the "Acquisition Agreement") (as amended by the Supplemental Agreement dated 22 March 2013), pursuant to which the Company agreed to acquire 57.55% equity interest in Julong at a consideration of HK$391.34 million to be satisfied by the allotment and issue of a number of consideration shares credited as fully paid.

The said issue and allotment of the consideration shares have not been completed as at the date of this report, but Energy Industry is deemed to be interested in 1,964,896,415 adjusted issued shares of the Company.

Jinwu Limited

On 27 August 2010, the Company entered into a subscription agreement (the "Subscription Agreement") (as amended by the side letters dated 15 September 2010, 23 December 2010, 31 March 2011, 7 July 2011, 2 November 2011 and 30 March 2012 and the supplemental subscription agreement dated 28 September 2010) with Jinwu Limited (the "Investor" or "Jinwu") pursuant to which the Company has conditionally agreed to allot and issue and Jinwu has conditionally agreed to subscribe for 925,714,285 subscription shares at a subscription price of approximately HK$0.175 per subscription share, for a total cash consideration, before expenses, of HK$162 million.

Jinwu is a special purpose investment company owned as to 50% by each of The ADM Maculus Fund V LP and ADM Galleus Fund II Limited, each being collective investment funds established under the laws of the Cayman Islands and managed or advised by Asia Debt Management Hong Kong Limited. Jinwu will become a substantial shareholder of the Company.

Pursuant to the Term Sheet and the Subscription Agreement (as amended and revised on 4 December 2012 and 6 February 2013 to facilitate the transaction contemplated under the Term Sheet and the Acquisition Agreement), the Investor will subscribe for 1,337,264,151 shares (instead of 925,714,285 shares). The said issue and allotment of the subscription shares have not been completed as at the date of this report, but Jinwu is deemed to be interested in approximately 22.01% of the adjusted issued shares of the Company.

Apex Ocean Holdings Limited ("Apex Ocean")

On 22 March 2013, the Company entered into the option agreement with Apex Ocean (the "Option Agreement"), pursuant to which Apex Ocean has agreed to grant to the Company a call option to purchase 42.45% equity interest in Julong at a consideration of HK$288.66 million to be satisfied by the allotment and issue of a number of consideration shares credited as fully paid. On 10 April 2013, the Company issued a notice exercising the option.

Apex Ocean is a limited liability company incorporated in Hong Kong and is wholly-owned by Decent Glory Limited ("Decent Glory"), a company incorporated in the British Virgin Islands whose shares are owned as to 50% by each of Mr. Yang Chengyuan and Mr. Qian Feng.

The said issue and allotment of the consideration shares have not been completed as at the end of the reporting period, but Apex Ocean is deemed to be interested in 1,754,150,428 adjusted issued shares of the Company.

Time Boomer Limited ("Time Boomer")

On 7 July 2011, Time Boomer, a party nominated by the Investor to provide part of the HK$50 million stand-by working capital facility ("Stand-by Facility") pursuant to the terms of the Exclusivity Agreement, entered into a loan agreement with Mobile Distribution Limited ("MDL"), a subsidiary of the Company, pursuant to which:

(i) Time Boomer has agreed to grant a working capital facility of HK$13 million to MDL; and

(ii) the Company has agreed to grant to Time Boomer an option to subscribe for such number of option shares at an exercise price of approximately HK$0.175 per option share with an aggregate exercise price of HK$13 million, at any time during the option period subject to the terms and conditions of the option deed entered into between the Company and Time Boomer dated 7 July 2011. The option period shall commence from the fulfillment of all the conditions precedent to the Subscription Agreement (unless the same is waived by the Investor) to the date of the completion of the Subscription Agreement.

Time Boomer is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Tai Kai Hing ("Mr. Tai"). To the best of the knowledge of the Directors, Mr. Tai is an experienced investor.

Pursuant to the Term Sheet, Time Boomer is deemed to be interested in less than 5% of the adjusted issued shares of the Company.

First Apex Investments Limited ("First Apex")

On 3 February 2012, First Apex, a party nominated by the Investor to provide part of the Stand-by Facility, entered into a loan agreement with MDL, pursuant to which:

(i) First Apex has agreed to grant a working capital facility of HK$20 million to MDL; and

(ii) the Company has agreed to grant to First Apex an option to subscribe for such number of convertible preference shares ("CPS") of the Company at an exercise price of HK$0.175 per CPS, which in turn is convertible into one Adjusted Share of the Company, with an aggregate exercise price of HK$20 million, at any time during the option period subject to the terms and conditions of the option deed entered into between the Company and First Apex dated 3 February 2012. The option period shall commence from the fulfillment of all the conditions precedent to the Subscription Agreement (unless the same is waived by the Investor).

First Apex is a limited liability company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Ben Sharma. Mr. Ben Sharma is a businessman involved in the distribution of major-brand mobile phones and accessories and has over 30 years of experience in this industry.

Pursuant to the Term Sheet, First Apex is deemed to be interested in less than 5% of the adjusted issued shares of the Company.

Save as disclosed above, as at 30 June 2013, 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.

Subsequent to the signing of the Acquisition Agreement (as amended by supplemental agreements dated 22 March 2013 and 30 July 2013) and the Option Agreement, to facilitate the execution process for the acquisition of the entire equity interest in Julong, the Company had, on 30 July 2013, further entered into (i) the Deed of Termination with Apex Ocean to terminate the Option Agreement; (ii) the sale and purchase agreement with Decent Glory in respect of the acquisition of the entire issued share capital of Apex Ocean ("Apex Ocean SPA") (in place of the arrangement to acquire the Remaining Julong Shareholder Equity Interest through the Option Agreement) at a consideration of HK$288.66 million, the entire amount of which would be satisfied by the allotment and issue of the Consideration Shares. It is intended that upon completion of the Acquisition Agreement and Apex Ocean SPA, Julong will become a wholly owned subsidiary of the Company, whilst the SPV (which will hold the Consideration Shares to be issued beneficially to Energy Industry and Decent Glory) will become the controlling shareholder of the Company.

Information relating to the Proposed Acquisition and Apex Ocean SPA as required under the code on Takeovers and Mergers and the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a joint announcement to be issued by the Company, Energy Industry and Decent Glory.

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.

MATERIAL LITIGATION

Legal claims were served on a wholly-owned subsidiary of the Company in Malaysia during the Period. Further details of the case are set out in the announcements of the Company dated 1 March 2013, 19 April 2013, 9 May 2013 and 25 July 2013.

In the opinion of the Directors, adequate provision has been made against the aforesaid claims at the end of the reporting period.

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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), as amended from time to time.

Having made specific enquiry, all Directors have confirmed compliance with the Model Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subjected to similar compliance.

AUDIT COMMITTEE

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 financial results and statements of the Company for the six months ended 30 June 2013 have not been reviewed by external auditors or by the Audit Committee as there were no independent non-executive Directors (the "INED") to constitute the Audit Committee.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in Appendix 14 of the Listing Rules - Corporate Governance Code and Corporate Governance Report (the "CG Code") during the six months ended 30 June 2013 in the CG Code except for those in relation to the vacancy of the independent non-executive directors ("INED") following the resignations of all three of the Company's INED on 2 December 2009. Arrangements will be made to appoint the appropriate number of INEDs to reconstitute the Board of Directors and the Audit, Nomination and Remuneration Committees as soon as practicable to comply with the CG Code.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the website of the Stock Exchange and the website of the Company at www.firstmobile.com in due course.

By order of the Board
First Mobile Group Holdings Limited
Ng Kok Hong
Executive Chairman

Hong Kong, 22 August 2013

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang.