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)

UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

Reference is made to the announcement of the Company dated 19 March 2015 ("Announcement").

Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcement.

Shareholders and potential investors are reminded that the information contained in this announcement is only based on the preliminary assessment by the board of directors of the Company of the unaudited management accounts of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2014 ("FY2014") and is not based on any data or information that has been audited or reviewed by ZHONGHUI ANDA CPA Limited, the auditors of the Company. They may be subject to audit adjustment(s).

* *For identification purpose only*

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000 (unaudited)
Revenue	8	–	–
Cost of sales		–	–
Gross profit		–	–
Other income	9	24	4,252
Selling and distribution expenses		(1)	(3)
General and administrative expenses		(20,455)	(19,028)
Other operating expenses		(159)	(7,558)
Provision for financial guarantee liabilities	23	(172,398)	–
Gain on deconsolidation of a liquidated subsidiary	10	227,198	–
Profit/(loss) from operations		34,209	(22,337)
Finance costs	11	(151,686)	(166,566)
Loss before tax		(117,477)	(188,903)
Income tax	12	–	25
Loss for the year attributable to owners of the Company	13, 14	(117,477)	(188,878)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon deconsolidation of a liquidated subsidiary	10	8,859	–
Exchange differences on translation of foreign operations		14,850	11,223
		23,709	11,223
Total comprehensive loss for the year attributable to owners of the Company		(93,768)	(177,655)
Loss per share			
— Basic and diluted (HK cents per share)	17	(6.04)	(9.71)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000 (unaudited)
Non-current asset			
Property, plant and equipment	*18*	101	278
Current assets			
Inventories		–	25
Prepayments, deposits and other receivables		285	188
Cash and bank balances		82	451
		367	664
Current liabilities			
Trade and bills payables	*20*	426,163	542,641
Accruals and other payables	*21*	944,767	790,340
Bank borrowings	*22*	407,392	478,483
Current tax liabilities		1,455	1,469
Financial guarantee liabilities	*23*	185,386	58,936
Convertible loans	*24*	33,000	33,000
		1,998,163	1,904,869
Net current liabilities		(1,997,796)	(1,904,205)
NET LIABILITIES		(1,997,695)	(1,903,927)
Capital and reserves			
Share capital	*25*	194,600	194,600
Reserves	*26*	(2,190,763)	(2,096,995)
Equity attributable to owners of the Company		(1,996,163)	(1,902,395)
Non-controlling interests		(1,532)	(1,532)
TOTAL EQUITY		(1,997,695)	(1,903,927)

UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000 (unaudited)
Current assets			
Other receivable		285	275
Bank and cash balances		18	21
		303	296
Current liabilities			
Accruals and other payables		34,669	19,293
Amount due to subsidiaries	*19*	5,534	4,660
Financial guarantee liabilities	*23*	1,185,080	1,153,823
		1,225,283	1,177,776
NET LIABILITIES		(1,224,980)	(1,177,480)
Capital and reserves			
Share capital	*25*	194,600	194,600
Reserves	*26*	(1,419,580)	(1,372,080)
TOTAL EQUITY		(1,224,980)	(1,177,480)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company								
	Share capital	**Share premium account**	**Merger reserve**	**Foreign currency translation reserve**	**Capital reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013 (audited)	194,600	127,539	3,982	22,681	2,609	(2,076,151)	(1,724,740)	(1,532)	(1,726,272)
Total comprehensive loss for the year	–	–	–	11,223	–	(188,878)	(177,655)	–	(177,655)
At 31 December 2013 and 1 January 2014 (unaudited)	194,600	127,539	3,982	33,904	2,609	(2,265,029)	(1,902,395)	(1,532)	(1,903,927)
Total comprehensive loss for the year	–	–	–	23,709	–	(117,477)	(93,768)	–	(93,768)
At 31 December 2014 (unaudited)	194,600	127,539	3,982	57,613	2,609	(2,382,506)	(1,996,163)	(1,532)	(1,997,695)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 *HK$'000*	2013 *HK$'000* (unaudited)
Cash flows from operating activities		
Loss before tax:	(117,477)	(188,903)
Adjustments for:		
Interest income	–	(1)
Finance costs	151,686	166,566
Depreciation of property, plant and equipment	179	388
Gains on disposal of property, plant and equipment	–	(112)
Impairment on trade receivables	–	419
Impairment on inventories	17	–
Reversal of impairment on trade receivables	–	(151)
Impairment on prepayments, deposits and other receivables	125	4,117
Reversal of impairment on other receivables	–	(3,545)
Provision for financial guarantee liabilities	172,398	–
Gain on deconsolidation of a liquidated subsidiary	(227,198)	–
Operating loss before working capital changes	(20,270)	(21,222)
Change in inventories	–	49
Change in trade receivables	–	595
Change in prepayments, deposits and other receivables	(239)	(484)
Change in trade and bills payables	1,200	1,261
Change in accruals and other payables	10,016	2,908
Cash used in operations	(9,293)	(16,893)
Overseas tax paid	(14)	(419)
Overseas tax refunded	–	3,545
Interest received	–	1
Interest paid	(257)	(1,040)
Net cash used in operating activities	(9,564)	(14,806)

	2014	2013
	HK$'000	*HK$'000*
		(unaudited)
Cash flows from investing activities		
Purchases of property, plant and equipment	–	(3)
Proceeds from disposals of property, plant and equipment	–	192
Net cash inflows on deconsolidation of a subsidiary	56,183	–
Net cash generated from investing activities	56,183	189
Cash flows from financing activities		
Repayment of finance lease payable	–	(106)
Net cash used in financing activities	–	(106)
Net increase in cash and cash equivalents	46,619	(14,723)
Effect of changes in foreign exchange rates	5,509	5,118
Cash and cash equivalents at beginning of year	(60,494)	(50,889)
Cash and cash equivalents at end of year	(8,366)	(60,494)
Analysis of cash and cash equivalents		
Bank and cash balances	82	451
Bank overdrafts, secured	(8,448)	(60,945)
	(8,366)	(60,494)

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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, KYI-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 principal activities of the Company's subsidiaries are set out in note 29 to the consolidated financial statements.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

At the request of the Company, trading in shares of the Company has been suspended since 27 November 2009. Pursuant to a letter from the Stock Exchange on 3 June 2010, among other things, the Company was required to submit a viable resumption proposal (the "Resumption Proposal") to the Stock Exchange, which should address the Company's ability to meet certain conditions for resumption of trading in shares of the Company.

On 2 November 2010, the Stock Exchange issued another letter to the Company informing that the Company had been placed in the first delisting stage under Practice Note 17 (the "PN 17") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company is required to submit a Resumption Proposal to the Stock Exchange by 1 May 2011 to demonstrate that the Company has:

(a) sufficient level of operations or assets of sufficient value required under Rule 13.24 of the Listing Rules;

(b) adequate internal controls to meet obligations under the Listing Rules; and

(c) sufficient working capital for at least twelve months from resumption date.

The Company submitted a resumption proposal to the Stock Exchange on 1 April 2011 with a view to seek the Stock Exchange's approval for the resumption of trading in the shares of the Company. However, on 26 May 2011, the Stock Exchange informed the Company that this resumption proposal has not satisfactorily demonstrated sufficiency of operations or asset under Rule 13.24 of the Listing Rules and the Company has been placed in the second stage of delisting procedures commencing on 26 May 2011 pursuant to PN17.

On 8 November 2011, the Company submitted a revised resumption proposal to the Stock Exchange to seek their approval for the resumption of trading in the shares of the Company. On 16 March 2012, the Company provided further information to the Stock Exchange in response to the Stock Exchange's queries and in support of the revised resumption proposal.

At the end of the second delisting stage, the Company did not provide a Resumption Proposal to the Stock Exchange to demonstrate its sufficiency of operations or assets for listing. Therefore, the Stock Exchange placed the Company in the third delisting stage on 20 June 2012.

Subsequently, on 4 December 2012, the Company has submitted another resumption proposal to the Stock Exchange, which involves, inter alia, the Company's proposed acquisition of the entire equity interest in Chongqing Fuling Julong Electric Power Co., Ltd ("Julong") (the"Original Acquisition"). Further details of the Original Acquisition are described in the Group's Annual Report 2012 and the Company's announcement dated 21 December 2012, 18 January 2013, 13 May 2013, 24 June 2013 and 19 July 2013.

Proposed restructuring of the Group

As mentioned in the Company's announcements dated 2 December 2013, 9 January and 26 February 2014, in the course of preparing for the new listing application for the Julong Group, certain regulatory issues were identified and given the substantial effort already spent in seeking to resolve those regulatory issues regarding the proposed acquisition of Julong and the lack of progress as at the final deadline for submission of a new listing application for the Resumption Proposal to the Listing Committee, the Directors consider that it is not in the interests of the Company and the Shareholders as a whole to continue with the Original Acquisition, for the purpose of seeking the resumption of trading in shares of the Company.

To continue with the Resumption Proposal, the Company has identified a new target company and entered into an agreement (the "Acquisition Agreement") on 31 March 2014 with the Vendors, pursuant to which the Company will acquire the entire issued share capital of China General (HK) Company Limited ("China General", together with its subsidiaries the "Target Group"). Upon completion of the reorganisation of the Target Group, the Target Group will hold interest in certain real estate projects in Yangzhou, Jiangsu Province and Quanzhou, Fujian Province in the People's Republic of China.

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring (the "Amended Proposed Restructuring") which will now involves the proposed capital reorganisation and creditors schemes, the open offer, the subscription and the working facility capitalisation, the acquisition, the application for the granting of the whitewash waiver and the disposal of three companies together with their subsidiaries within the Group. The completion of the Amended Proposed Restructuring is conditional upon fulfilment of certain key conditions precedent which include, among other things, the passing of the resolutions by the shareholders of the Company at the extraordinary general meeting, the granting of the whitewash waiver by the Securities and Futures Commission of Hong Kong, the capital reorganisation becoming effective, and the submission of the Resumption Proposal to the Stock Exchange and the satisfaction of the conditions set out in the letter from the Stock Exchange to the Company granting in–principle approval to the Resumption Proposal.

The details of the conditions precedent and the updates on the Amended Proposed Restructuring are further described in the announcement dated 22 August 2014 (the "Amendment Announcement"). The Amended Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements in notes and paragraphs below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Amendment Announcement.

(a) Capital Reorganisation

The Company will undergo the Capital Reorganisation comprising the Capital Reduction, Share Premium Cancellation and Share Consolidation. Before the Capital Reorganisation, the authorised share capital of the Company is HK$300,000,000 divided into 3,000,000,000 Shares of HK$0.10 each, and the issued share capital of the Company is HK$194,599,656.50 divided into 1,945,996,565 Shares of HK$0.10 each. Immediately after completion of the Capital Reorganisation, the authorised share capital of the Company will be HK$500,000,000 divided into 100,000,000,000 Adjusted Shares of HK$0.005 each and the issued share capital of the Company will be reduced to HK$972,998.28 divided into 194,599,656 Adjusted Shares of HK$0.005 each. The Adjusted Shares after Capital Reorganisation will be identical and rank pari passu in all respects with each other.

(b) Creditors Schemes

The schemes of arrangement entered into between the Company and its creditors (the "Creditors Schemes") have been approved by the creditors at the creditors' meeting held on 21 December 2010 and sanctioned by the High Court on 8 February 2011 and the Grand Court on 28 April 2011, respectively as stated in the announcements of the Company dated 14 February and 6 May 2011. Subject to any approvals/ consents in respect of any modification of the Creditors Schemes having being obtained, the Creditors Schemes will become legally binding on the Company and its creditors upon fulfillment of the conditions to be set out in the subscription agreements in relation to the subscription and upon the filing of the orders of the High Court and the Grand Court with the relevant companies registries in Hong Kong and the Cayman Islands respectively.

As part of the Amended Proposed Restructuring, pursuant to the Creditors Schemes, upon effective, all or any claims and against the Company and all the indebtedness of the Company will be compromised and discharged through (i) a cash payment of HK$162 million (which will be funded by the Company out of the proceeds of the subscription); (ii) the transfer of the Scheme Subsidiaries to Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the creditors under the Creditors Schemes; and (iii) all or any claims of the Retained Subsidiaries against the Scheme Subsidiaries in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective shall be assigned and/or transferred and/or novated from the Retained Subsidiaries to Scheme Company or the Scheme Administrators (or their nominees).

Please refer to the Announcement for the details of the Creditors Schemes.

(c) The Disposal

According to the Company's announcements dated 31 October 2014, as part of the Amended Proposed Restructuring, the Company will dispose of certain of its subsidiaries to some or all of the Existing Controlling Shareholders or their nominee(s). Subject to the disposal agreement, The Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the entire issued share capital of Marzo Holdings Limited, Value Day Limited and MDL (the "Disposed Companies"), each being a wholly–owned subsidiary of the Company (the "Disposal"). The Disposed Companies, together with their subsidiaries, are the Retained Subsidiaries which will be disposed of under the Amended Proposed Restructuring. Upon completion of the Disposal, the Company will no longer be interested in the Retained Subsidiaries.

(d) Acquisition of the New Target

The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire equity interest in China General. As at the date of the Announcement, the entire issued share capital of China General is owned as to 45% by Mr. Shie and 55% by Mr. Tsoi respectively. Upon the completion of Acquisition, the Target Group will become wholly owned subsidiaries of the Company.

The 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 Independent Shareholders at the EGM and the Stock Exchange's approval of the Company's new listing application.

The information relating to the acquisition agreement as required under the Takeovers Code and the Listing Rules will be set out in the Announcement.

As disclosed in the Company's announcement dated on 12 September 2014, the Company received a letter dated 11 September 2014 from the Listing (Review) Committee (the "LRC Letter"), which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a new listing application relating to the Target Group (the "Proposal"), and not any other proposal. The LRC Letter also stated that no further extensions of time will be granted to the Company, and the Listing (Review) Committee further decided to cancel the listing of the Shares on the Stock Exchange should the Company fail to do the above by 31 October 2014 or the Proposal fail to proceed for any reasons.

As stated in the Company's announcement dated on 31 October 2014 and 30 December 2014, the Company has made a new listing application relating to the Acquisition of the New Target to the Stock Exchange on 30 October 2014 and the Stock Exchange is still in the process of reviewing the Company's new listing application.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$117,477,000 (2013: HK$188,878,000) for the year ended 31 December 2014 and as at that date, the Group had net current liabilities of approximately HK$1,997,796,000 (2013: HK$1,904,205,000) and net liabilities of approximately HK$1,997,695,000 (2013: HK$1,903,927,000) respectively.

The condition above indicates 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 proposed restructuring of the Group.

The consolidated financial statements have been prepared on a going concern basis, as the Company is preparing the Resumption Proposal, the successful implementation of which will effect, including but not limited to, the Amended Proposed Restructuring to settle with the Company's creditors and allow the trading in the shares of the Company being resumed. The Directors are of the view that the major procedures of the Amended Proposed Restructuring will eventually be agreed upon by the Company's creditors, the Investor, and the Company's shareholders, and will be successfully implemented.

Should the Group be unable to achieve a successful restructuring as mentioned above, or alternatively under other available options of restructuring, and therefore be unable to continue its business as a going concern, adjustments might have to be made to the carrying amounts of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify Non-current assets and liabilities to current assets and liabilities, respectively.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are further disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de–consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Leasehold improvements	12.5%–50%
Motor vehicles	20%–25%
Furniture, fixtures and equipment	8%–25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

(a) the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

(b) the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

Convertible loans

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenue from the sale of mobile phones and related accessories is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the mobile phones and related accessories are delivered to customers and title has passed to the customers.

(b) Rental income under operating leases is recognised on a straight line basis over the lease terms.

(c) Interest income is recognised on a time–proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia and Indonesia, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby these subsidiaries are required to contribute to the Schemes to fund the retirements benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employees with reference to the salary scale, as stipulated under the requirements in respective countries. The governments of respective countries are responsible for the entire pension obligations payable to retired employees. The Schemes are defined contribution schemes. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to profit or loss as incurred.

The Group's subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$25,000 (HK$30,000, with effect from 1 June 2014) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash–generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash–generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful conclusion of the Group's Amended Proposed Restructuring as explained in note 2 to the financial statements.

6. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade payables, bills payables, borrowings and financial guarantee liabilities. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk) and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("USD"), Malaysia Ringgit ("RM") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Pursuant to Hong Kong's Linked Exchange Rate System under which HK$ is pegged to USD, management considers there are no significant foreign exchange risks arising from the Group's operation in Hong Kong with respect to transactions denominated in USD.

At 31 December 2014, if HK$ had weakened or strengthened by 5% (2013: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK$2,937,000 (2013: HK$3,901,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade payables and bank borrowings in relation to the operation in Hong Kong.

Interest rate risk

The Group's interest rate risk arises from bank and cash balances, and bank borrowings. Bank and cash balances, and bank borrowings with variable rates expose the Group to cash flow interest rate risk.

The Group has followed a policy which involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favorable pricing opportunities arise.

At the end of the reporting period, if interest rates had been increased or decreased by 50 (2013: 50) basis points and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK$992,000 (2013: HK$992,000) mainly as a result of higher or lower interest expenses on floating rate borrowings.

(b) Liquidity risk

The Group encounters difficulty in meeting its current obligations when they fall due. Most of the Group's debts would be repayable on demand or within one year as at 31 December 2014 and 2013 based on the carrying value of borrowings and payables reflected in the financial statements.

The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Amended Proposed Restructuring, as further explained in note 2 to the financial statements.

(c) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

As the Group's operation in trading and distribution of mobile phones and related accessories had been scaled down to inactive for the year ended 2014 and 2013, the Directors considered that there were no reportable segment for the two years ended 31 December 2014 and 2013.

8. REVENUE

No transactions were concluded to generate any trading income by the Group during the year.

9. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income	–	1
Gain on disposal of property, plant and equipment	–	112
Reversal of impairment on trade receivable	–	151
Reversal of impairment on other receivable	–	3,545
Sundry income	24	443
	24	4,252

10. GAIN ON DECONSOLIDATION OF A LIQUIDATED SUBSIDIARY

As detailed in the 2013 Financial Statements, a winding-up order was issued by the High Court in Malaysia, Shah Alam on 5 February 2014 ordering, among other things, that FMGSB, be wound up and that the official receiver of Malaysia be appointed as liquidator of FMGSB. As a result, the directors and the staffs of the Company were not able to access the documents, accounting books and records of FMGSB.

In view of the circumstances as described in the preceding paragraph, the Directors have lost the access to the accounting books and records of FMGSB for the calculation of the gain on deconsolidation as at 5 February 2014.

	HK$'000
Net liabilities of the subsidiary deconsolidated:	
Prepayment, deposits and other receivables	17
Cash and bank balances	24
Trade and bills payables	(108,330)
Accruals and other payables	(5,047)
Amounts due to the Group	(2,915)
Bank overdrafts	(56,207)
Bank borrowings	(20,566)
Financial guarantee liabilities	(45,948)
Net liabilities of the deconsolidated subsidiary	(238,972)
Impairment of amount due from the deconsolidated subsidiary	2,915
Release of the related foreign currency translation reserves	8,859
Gain on deconsolidation of a liquidated subsidiary	(227,198)

Net cash inflows from deconsolidation of the subsidiary were as follows:

	HK$'000
Cash and cash equivalent deconsolidated:	
Cash and bank balances	24
Bank overdrafts	(56,207)
	(56,183)

11. FINANCE COSTS

	2014	**2013**
	HK$'000	*HK$'000*
Interest expenses on borrowings and payables wholly repayable within five years		
— bank borrowings	46,048	60,814
— finance leases	–	13
— convertible loans	1,041	1,172
— trade payables	104,597	104,567
	151,686	166,566

12. INCOME TAX

	2014	**2013**
	HK$'000	*HK$'000*
Current tax — Overseas:		
Over provision in prior year	–	(25)
	–	(25)

No provision for Hong Kong profits tax has been made for the year, as the Group has no estimated assessable profits arising in Hong Kong and overseas. Tax on overseas profits had been calculated on the estimated assessable profits for that year at the rates of tax prevailing in the countries in which the Group operates.

The reconciliation between the income tax and loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Loss before tax:	(117,477)	(188,903)
Calculated at a domestic tax rate of 16.5% (2013: 16.5%)	(19,384)	(31,169)
Effect of different tax rates in other countries	11,672	10,534
Income not subject to tax	(37,607)	(1,381)
Expenses not deductible for tax purpose	45,297	14,726
Over provision in prior year	–	(25)
Tax losses not recognised	22	7,290
	–	(25)

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK$2,318,544,000 (2013: HK$2,318,521,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of the Group.

13. LOSS FOR THE YEAR

The Group's loss for the year was arrived at after charging/(crediting) the amounts as set out below.

	2014 *HK$'000*	2013 *HK$'000*
Cost of inventories sold	–	–
Auditor's remuneration	851	629
Depreciation of property, plant and equipment	179	388
Operating leases expenses	170	302
Impairment on inventories*	17	–
Impairment on trade receivables**	–	419
Impairment on prepayments, deposits and other receivables*	125	4,117
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	3,251	3,097
— retirement benefits scheme contributions	78	78
	3,329	3,175
Exchange losses*	–	335
Gains on disposals of property, plant and equipment*	–	(112)
Reversal of impairment on trade receivable	–	(151)
Reversal of impairment on other receivable	–	(3,545)

* These items were included in other operating expenses.

** These items were included in general and administrative expenses.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$47,500,000 (2013: HK$56,178,000).

15. DIRECTOR'S AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2014 is set out below:

	Salary	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*
Executive Director:			
Ng Kok Hong	1,063	17	1,080
Ng Kok Tai	–	–	–
Ng Kok Yang	–	–	–
	1,063	17	1,080

The remuneration of each Director for the year ended 31 December 2013 is set out below:

	Salary	Retirement benefit costs	Total
	HK$'000	*HK$'000*	*HK$'000*
Executive Director:			
Ng Kok Hong	1,065	15	1,080
Ng Kok Tai	–	–	–
Ng Kok Yang	–	–	–
	1,065	15	1,080

During the year ended 31 December 2014, Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang, being executive Directors of the Company, have agreed to waive their total emoluments of approximately HK$2,967,000 (2013: HK$2,965,000), HK$1,950,000 (2013: HK$1,950,000) and HK$2,470,000 (2013: HK$2,470,000). Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	2014	2013
	HK$'000	*HK$'000*
Directors	1,080	1,080
Employees	1,692	1,828
	2,772	2,908

The Group's five highest paid individuals for both years included one director and four employees. Details of the emoluments of the Directors are reflected in the analysis presented above. The details of the aggregate emoluments of the four employees, all falling within the band of HK$1,000,000 or below, for the year are as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Salaries, allowances and benefit–in–kind	1,625	1,759
Retirement benefit costs	67	69
	1,692	1,828

Save as disclosed above, for the two years ended 31 December 2014 and 2013, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: nil).

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the year attributable to owners of the Company of approximately HK$117,477,000 (2013: HK$188,878,000) and the weighted average number of 1,945,996,565 (2013: 1,945,996,565) ordinary shares in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the exercise of the Group's outstanding convertible loans would be anti-dilutive for both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements *HK$'000*	**Motor vehicles** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
Cost:				
At 1 January 2013 (audited)	501	977	14,397	15,875
Additions	–	–	3	3
Disposals	–	(247)	(166)	(413)
Exchange differences	(106)	(8)	(193)	(307)
At 31 December 2013 and 1 January 2014 (unaudited)	395	722	14,041	15,158
Exchange differences	–	–	(1)	(1)
At 31 December 2014 (unaudited)	395	722	14,040	15,157
Accumulated depreciation:				
At 1 January 2013 (audited)	456	841	13,801	15,098
Charge for the year	43	91	254	388
Disposals	–	(205)	(125)	(330)
Exchange differences	(104)	(5)	(167)	(276)
At 31 December 2013 and 1 January 2014 (unaudited)	395	722	13,763	14,880
Charge for the year	–	–	179	179
Exchange differences	–	–	(3)	(3)
At 31 December 2014 (unaudited)	395	722	13,939	15,056
Carrying amount:				
At 31 December 2014 (unaudited)	–	–	101	101
At 31 December 2013 (unaudited)	–	–	278	278

19. INVESTMENTS IN SUBSIDIARIES

		Company	
		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
Unlisted shares, at cost	*(a)*	233,433	233,433
Less: Impairments	*(c)*	(233,433)	(233,433)
		–	–
Amount due from subsidiaries	*(b)*	339,266	339,266
Less: Impairments	*(c)*	(339,266)	(339,266)
		–	–
Amount due to subsidiaries	*(b)*	5,534	4,660

Notes:

(a) Particulars of principal subsidiaries are set out in note 29 to the financial statements.

(b) The balances with subsidiaries were unsecured, interest free and had no fixed terms of repayment.

(c) At 31 December 2014 and 2013, the Directors performed an impairment testing on the Group's investments in subsidiaries and the amount due from subsidiaries, and they considered that their carrying amounts are in excess of the recoverable amounts as a result of the persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK$233,433,000 (2013: HK$233,433,000) against the investments in subsidiaries and approximately HK$339,266,000 (2013: HK$339,266,000) were made against the amount due from subsidiaries at the end of the reporting period.

20. TRADE AND BILLS PAYABLES

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Trade payables	426,163	438,073
Bills payables	–	104,568
	426,163	542,641

At the end of the reporting period, the ageing of all trade payables are over 120 days.

Included in the trade payables at the end of the reporting period, approximately HK$401,529,000 (2013: HK$409,375,000) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain trade insurance companies. Included in the guaranteed trade payables, approximately HK$344,500,000 (2013: HK$344,500,000) and approximately HK$57,029,000 (2013: HK$64,875,000) of which were interest-bearing at approximately 2.5% per month and at approximately 1.95% per annum respectively.

At the end of the reporting period, the Group has no bills payable (2013: The bills payables of the Group were interest-bearing at approximately 8.29% per annum).

The carrying amounts of the Group's trade and bills payables were denominated in the following currencies:

	Group 2014 HK$'000	Group 2013 HK$'000
USD	344,511	408,372
EUR	55,923	65,047
RM	2,392	44,540
HK$	12,269	13,448
INR	1,325	1,348
VND	7,780	7,857
Others	1,963	2,029
	426,163	542,641

21. ACCRUALS AND OTHER PAYABLES

	Group 2014 HK$'000	Group 2013 HK$'000
Interest payables *(note (a))*	854,267	705,557
Accrual	62,257	72,651
Amounts due to a director *(note (b))*	3,668	972
Amounts due to the Vendors *(note (c))*	11,801	–
Other payables	12,774	11,160
	944,767	790,340

Notes:

(a) Included in the interest payables at the end of the reporting period, approximately HK$212,802,000 (2013: HK$172,911,000) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain banks.

(b) The amounts due to a director are unsecured, non–interest bearing and no fixed repayment terms.

(c) Amounts due to the Vendors represent the professional fees and expenses incurred by the Company in relation to the Amended Proposed Restructuring which are unsecured, non–interest bearing and will be capitalized as a contribution after the completion of the Amended Proposed Restructuring.

22. BANK BORROWINGS

	Group 2014 HK$'000	Group 2013 HK$'000
Bank loans, secured	398,946	417,537
Bank overdrafts, secured	8,446	60,946
	407,392	478,483

(a) The carrying amounts of the bank borrowings were denominated in the following currencies:

	Group 2014 *HK$'000*	Group 2013 *HK$'000*
USD	192,985	194,109
HK$	211,585	209,050
RM	–	72,751
EUR	2,822	2,573
	407,392	478,483

(b) The effective interest rates of the bank borrowings at the end of the reporting period were as follows:

	Bank loans 2014	Bank loans 2013	Bank overdrafts 2014	Bank overdrafts 2013
USD	5.7%	5.7%	–	–
HK$	4.3%	4.3%	5.9%	5.9%
RM	–	7.6%	–	9.1%
EUR	4.4%	4.4%	–	–

(c) The Group's bank borrowings were secured by certain corporate guarantees granted by the Company.

23. FINANCIAL GUARANTEE LIABILITIES

Group

The Company has given corporate guarantees to certain banks to secure for the general banking facilities of FMGSB, Exquisite Model Sdn. Bhd. ("EM") and Mobile Distribution (M) Sdn. Bhd. ("MDM") totaling approximately HK$185,386,000. In view that FMGSB, EM and MDM are currently in liquidation, and on ground that the potential claims of these corporate guarantees granted by the Company may be exercised by the relevant banks, a provision for financial guarantee liabilities of approximately HK$172,398,000 have been made against the potential uncovered exposures to be borne by the Company under such guarantees.

Company

At 31 December 2014, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the former largest supplier of the Group to secure for the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK$1,185,080,000 (2013: HK$1,153,823,000) of which were utilised by the subsidiaries as at that date. The Group has breached certain bank covenant requirements and defaulted in repayment of certain bank borrowings. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK$1,185,080,000 (2013: HK$1,153,823,000) for the Company has been made against the probable uncovered exposures to be borne by the Company under those guarantees at the end of the reporting period.

24. 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 Agreements, entered into the Loan Agreements (the "TB Loan") and Option Agreements (the "TB Option") with Mobile Distribution Limited ("MDL"), a wholly-owned subsidiary of the Company. Pursuant to a supplemental deed with Time Boomer to amend the terms of the TB Option such that Time Boomer shall now be entitled to subscribe for 83,870,968 New Shares at a total exercise price of HK$13 million, or HK$0.155 per New Share, upon fulfillment of certain conditions precedent as described in the Announcement.

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 8.3% per annum to the liability component.

The TB 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 Company's announcement dated 14 July 2011.

(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 Agreements, entered into the Loan Agreements (the "FA Loan") and Option Agreements (the "FA Option") with MDL. Pursuant to a termination deed with First Apex terminating the FA Option and a new option deed with First Apex pursuant to which the Company will now grant to First Apex an option to subscribe for 129,032,258 New Shares at a total exercise price of HK$20 million or approximately HK$0.155 per New Share, upon fulfillment of certain conditions precedent as described in the Announcement.

The FA Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of approximately 0% per annum to the liability component.

The FA 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 Company's announcement dated 14 February 2012.

As further disclosed in the Company's announcements dated 3 November 2014, the repayment date of the TB Loan and the FA Loan has extend to 30 April 2015.

(c) The liability components of the TB Loan and FA Loan 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 (audited)	12,976	19,892	32,868
Interest charged	1,064	108	1,172
Interest paid	(1,040)	–	(1,040)
Liability component at 31 December 2013 and 1 January 2014 (unaudited)	13,000	20,000	33,000
Interest charged	1,041	–	1,041
Interest paid	(257)	–	(257)
Interest included in accruals and other payables	(784)	–	(784)
Liability components at 31 December 2014 (unaudited)	13,000	20,000	33,000

The Directors estimate the fair value of the liability component of the convertible loans at 31 December 2014 to be approximately HK$33,755,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

25. SHARE CAPITAL

	Company	
	Number of ordinary shares	
	HK$0.10 each	*HK$'000*
Authorised:		
At 31 December 2013 and 2014	3,000,000,000	300,000
Issued and fully paid:		
At 31 December 2013 and 2014	1,945,996,565	194,600

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2014 and 2013.

The capital structure of the Group consists of debt, which includes bank borrowings, financial guarantee liabilities and convertible loans as disclosed in notes 22, 23 and 24, and equity attributable to owners of the Company, comprising share capital and reserves.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt to total assets. Debt is calculated as total borrowings (including current and Non-current bank and other borrowings and financial guarantee liabilities but excluding trade and bills payables, accruals and other payables and tax payables as shown in the consolidated statement of financial position).

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014	**2013**
	HK$'000	*HK$'000*
Total borrowings	625,778	570,419
Total assets	468	942
Gearing ratio	133,713%	60,554%

The gearing ratios 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. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Amended Proposed Restructuring as further explained in note 2 to the financial statements.

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium	**Capital reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013 (audited)	287,281	–	(1,603,183)	(1,315,902)
Loss for the year	–	–	(56,178)	(56,178)
At 31 December 2013 and 1 January 2014 (unaudited)	287,281	–	(1,659,361)	(1,372,080)
Loss for the year	–	–	(47,500)	(47,500)
At 31 December 2014 (unaudited)	287,281	–	(1,706,861)	(1,419,580)

(c) Nature and purpose of reserves

(i) Share premium account

Pursuant to the Companies Law (1998 Revision) of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange therefor.

(iii) Capital reserve

The capital reserve comprises (a) the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share–based payments in note 4 to the consolidated financial statements and (b) the equity component of the convertible loan issued by the Group which is the difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note into equity.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

27. OPERATING LEASE COMMITMENTS

Leases for office premises are negotiated for terms ranging from 1 to 2 years. At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	**2013**
	HK$'000	*HK$'000*
Within one year	166	163
In the second to fifth years, inclusive	33	199
	199	362

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's Amended Proposed Restructuring in progress, and further details of which are stated in note 2 to these financial statements.

29. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries at the end of the reporting period which principally affect the results or financial position of the Group.

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group 2014	2013	Principal activities
Direct subsidiary:					
E–Tech Resources Limited	British Virgin Islands	10,000 shares of US$1 each	100%	100%	Investment holding
Indirect subsidiaries:					
é–Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	95%	95%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P$1 each	100%	100%	Inactive
First Telecom International Limited	Hong Kong	HK$50,000,000 ordinary shares HK$3,019,944 non–voting deferred shares	100%	100%	Inactive
Lets Do Mobile Philippines Inc.	Republic of the Philippines	85,000,000 shares of P$1 each	100%	100%	Inactive
Matrix Star Limited	Hong Kong	HK$1 ordinary shares	100%	–	Inactive
Mobile Distribution Limited	Hong Kong	HK$1 ordinary shares	100%	100%	Inactive
Mobileperformances SARL	France	850 shares of 10 EUR each	100%	100%	Inactive
Multi Brand Telecom Services Trade Joint Stock Company	Vietnam	Vietnam Dong 2,000,000,000	90%	90%	Inactive
Precision SARL	France	850 shares of 10 EUR each	100%	100%	Inactive
PT. Comworks Indonesia	Indonesia	330,000 shares of USD1 each	100%	100%	Inactive

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded an other income of approximately HK$24,000 for FY2014, representing a decrease of approximately HK$4.2 million compared to FY2013 mainly due to the reversal of impairment on other receivables in FY2013.

The Group's general and administrative expenses increased by approximately HK$1.4 million compared to FY2013 mainly due to the increase in professional fees for restructuring exercise during the year.

The Group's other operating expenses for FY2013 was mainly due to the provisions made in respect of two legal proceedings against a wholly-owned subsidiary of the Company in Malaysia and the impairment on other receivables.

Finance cost decreased by approximately HK$14.9 million compared to FY2013 mainly due to the decrease in finance cost of bank borrowings arising from the deconsolidation of a wholly-owned subsidiary with effect from 5 February 2014.

The Group's provision for financial guarantee liabilities for FY2014 was mainly due to the provision for potential claims (comprising principal and interest) under the corporate guarantee granted to a wholly-owned subsidiary which was deconsolidated from the Group's consolidated financial statements with effect from 5 February 2014.

The loss attributable to owners of the Company was approximately HK$117.5 million for FY2014, representing loss per share of HK6.04 cents as compared to a loss of approximately HK$188.9 million for FY2013, representing loss per share of HK9.71 cents.

Segment Information

The Group has no revenue generated for FY2014.

Liquidity and Financial Resources

As at 31 December 2014, bank and cash balances of the Group were approximately HK$82,000 (2013: HK$0.45 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2014 was 133,713% (2013: 60,554%).

As at 31 December 2014, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2013: secured by the corporate guarantees granted by the Company).

Assets and Liabilities

As at 31 December 2014, the Group had total assets of approximately HK$468,000 (2013: HK$942,000), total liabilities of HK$1,998 million (2013: HK$1,905 million). The net liabilities of the Group as at 31 December 2014 were HK$1,998 million (2013: HK$1,904 million).

Significant Investments and Acquisition

The Group did not have any significant investment nor did it make any material acquisition or disposal of subsidiaries and associates throughout the year ended 31 December 2014.

Charges on Group Assets

The Group had no other charge as at 31 December 2014 and 2013 except for the charge by Time Boomer and First Apex. Details are set out in note 24 to the consolidated financial statement.

Reserves

As at 31 December 2014, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statement and in the consolidated statement of changes in equity for the year then ended, respectively.

Capital Structure

There was no change in the Company's share capital during the year.

Capital Commitments

The Group and the Company did not have any significant capital commitments as at 31 December 2014 and 2013.

Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities as at 31 December 2014 and 2013.

Employees

As at 31 December 2014, the Group had 8 (2013: 9) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2014 amounted to approximately HK$3.3 million (2013: HK$3.2 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Further announcement(s) will be made to inform the shareholders of the date of release of the Annual Results 2014 and the date of the AGM.

At the request of the Company, trading in the Company's shares has been suspended since 9:30 a.m. on 27 November 2009 and will remain suspended until further notice.

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

Hong Kong, 31 March 2015

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