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

Stock code : 865
股票編號 : 865

ANNUAL REPORT 2010
二零一零年年報

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BOARD OF DIRECTORS

NG KOK HONG
NG KOK TAI
NG KOK YANG

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

MAH KWONG CHEE DYLAND

REGISTERED OFFICE

P.O. BOX 309, UGLAND HOUSE,
GRAND CAYMAN,
KY1-1104 CAYMAN ISLANDS

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

SUITE 1915, 19TH FLOOR,
GRANDTECH CENTRE, 8 ON PING STREET,
SHATIN, NEW TERRITORIES, HONG KONG

COMPANY WEBSITE

WWW.FIRSTMOBILE.COM

AUDITOR

ANDA CPA LIMITED

LEGAL ADVISER AS TO HONG KONG LAW

BRANDT CHAN & PARTNERS

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

BUTTERFIELD FULCRUM GROUP (CAYMAN) LIMITED
BUTTERFIELD HOUSE, 68 FORT STREET,
P.O. BOX 609, GRAND CAYMAN,
KY1-1107 CAYMAN ISLANDS

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

TRICOR ABACUS LIMITED
26TH FLOOR, TESBURY CENTRE,
28 QUEEN'S ROAD EAST,
WANCHAI, HONG KONG

On behalf of the Board of Directors of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group" or "FMG"), I hereby present the Annual Report of the Company for the financial year ended 31 December 2010 ("FY2010").

2010 has been a very challenging year for the Group. The Group recorded a total revenue of HK$190 million for FY2010, representing a decrease of 94% from the previous financial year. The loss attributable to owners of the Company was HK$159 million for FY2010.

PROGRESS OF THE COMPANY'S PROPOSED RESTRUCTURING EXERCISE

The principal components of the Company's proposed restructuring exercise consists of the proposed subscription for new shares by the investor, proposed capital reorganisation, proposed creditors schemes and group reorganisation and the investor's proposed application for the granting of a whitewash waiver (collectively, the "Proposed Restructuring"). Details of the Proposed Restructuring are further described in the Company's announcements on 16 September 2010, 30 September 2010, 24 December 2010 and 14 February 2011.

The proposed creditor schemes to be made between the Company and its creditors were unanimously approved by the creditors attending and voting in person or by proxy at the scheme meeting held on 21 December 2010.

The Company had on 27 January 2011 made an application to the High Court of Hong Kong (the "High Court") for the sanctioning of the proposed scheme of arrangement between the Company and the Creditors under Section 166 of the Companies Ordinance (Chapter 32) of the Law of Hong Kong (the "Hong Kong Scheme"). The Hong Kong Scheme was sanctioned by the High Court on 8 February 2011 and will become effective and legally binding upon the fulfilment of conditions as stipulated under the Hong Kong Scheme.

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 issued a letter to the Company on 2 November 2010 informing the Company that it has placed the Company in the first delisting stage under Practice Note 17 (the "PN17") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In addition, the Company is required to submit a viable resumption proposal to the Stock Exchange by 1 May 2011, further details of which are contained in the Company's announcement dated 8 November 2010. In this regard, the Company with the assistance of its financial advisor, Asian Capital (Corporate Finance) Limited, is finalising a resumption proposal to address all the conditions raised by the Stock Exchange and the Company will submit the said resumption proposal to the Stock Exchange as soon as practicable.

LOOKING AHEAD

The Group will remain focused on its core business of mobile phone trading and distribution and further developing its house-brand mobile phone business in Indonesia, India and Vietnam.

In fine-tuning its business strategy and to further streamline the Group's operations, the Group ceased operating its offices in India and Vietnam during the first quarter of 2011 and will now continue to sell into these markets directly from its main operating base in Hong Kong. In doing so, the Group expects to achieve better economies of scale for the operations of its house-brand business and the closure of these offices is expected to give rise to cost savings without causing any significant detriment to the business that the Group expects to generate from these markets.

Additionally, the Group will continue to explore viable and profitable business opportunities in the near future to enhance shareholders' value and strengthen its financial foundations. It is envisaged that the financial position of the Group will be improved upon the successful implementation of the Proposed Restructuring.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my most sincere gratitude to all our shareholders, management team and dedicated staff, bankers, creditors, professional advisors, customers and business partners for your continued support and understanding through this difficult and challenging period.

Ng Kok Hong
Executive Chairman

Hong Kong, 31 March 2011

BUSINESS REVIEW

During the financial year ended 31 December 2010, the Group continued to focus on its core business of mobile phone trading and distribution.

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, management has taken appropriate measures to reduce overheads and financial commitments to ensure that the existing operations of the Group are conducted in a cost efficient manner.

FINANCIAL REVIEW

OVERVIEW

The Group recorded a turnover from sales of mobile phones and related accessories of HK$186 million in the financial year ended 31 December 2010 ("FY2010"), representing a decrease of 94.3% over the previous financial year ended 31 December 2009 ("FY2009")'s turnover of HK$3,263 million. The Group had traditionally derived the bulk of its business and revenue from the distribution of tier-one branded mobile phones, and in FY2009 this accounted for approximately 93% of the Group's total turnover. The balance of approximately 7% comprised trading and distribution of the Group's house-brand handsets. In FY2010, the Group mainly focused on its house-brand business due to its financial predicament with its banks and trade creditors.

During the year, certain of the Group's pledged freehold property, leasehold land and buildings located in Hong Kong and Malaysia were compulsorily foreclosed and disposed of by the related bank creditors (the "Foreclosures"). The aggregate consideration of approximately HK$93,677,000 were fully utilised to repay the related bank borrowings and bills payable. The Foreclosures had resulted in a net gain on the disposal of the said properties, after the incidental costs on disposal of approximately HK$616,000, amounting to approximately HK$47,175,000 (the "Gain"). The Gain was included in the net gains on disposal of property, plant and equipment of approximately HK$47,423,000 reported as other income of the Group.

The loss attributable to owners of the Company was HK$159 million for FY2010, representing loss per share from continuing and discontinued operations of HK8.16 cents as compared to a loss of HK$2,164 million for FY2009, representing loss per share from continuing and discontinued operations of HK111.23 cents.

Finance costs increased by HK$72 million compared to FY2009 mainly due to interests and penalty charges on trade payables and bank borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, bank and cash balances of the Group were approximately HK$7 million (2009: HK$61 million), of which approximately HK$0.24 million (2009: HK$43 million) were pledged for general banking facilities.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2010 was 935% (2009: 336%).

As at 31 December 2010, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company and the Group's investment property held for sale with the carrying amount of approximately HK$9 million (2009: secured by the Company's corporate guarantees and the Group's freehold property, leasehold land and buildings, and investment property with the aggregate carrying amounts of approximately HK$54 million).

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 2010 and 2009.

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at 31 December 2010 and 2009.

EMPLOYEES

As at 31 December 2010, the Group had 145 (2009: 498) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2010 amounted to approximately HK$16 million (2009: HK$85 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

STRATEGIES FOR 2011

The Group will remain focused on its core business of mobile phone trading and distribution and further developing its house-brand business in Indonesia, India and Vietnam.

In fine-tuning its business strategy and to further streamline the Group's operations, the Group ceased operating its offices in India and Vietnam during the first quarter of 2011 and will now continue to sell into these markets directly from its main operating base in Hong Kong. In doing so, the Group expects to achieve better economies of scale for the operations of its house-brand business and the closure of these offices is expected to give rise to cost savings without causing any significant detriment to the business that the Group expects to generate from these markets.

Additionally, the Group will continue to explore viable and profitable business opportunities in the near future 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 Company, with the assistance of its financial advisor, Asian Capital (Corporate Finance) Limited, is finalising a resumption proposal which will be submitted to the Stock Exchange as soon as practicable.

EXECUTIVE DIRECTORS

Mr. NG Kok Hong, aged 47, Executive Chairman of the Group. Mr. Ng is involved in the strategic planning and operation of the Group. Since he co-founded the business with Mr. Ng Kok Tai in 1989 to distribute mobile phones in Malaysia, Mr. Ng Kok Hong has been actively involved in the mobile phone industry. Mr. Ng has successfully grown the Group's business to cover most major markets in the Asia Pacific region. Mr. Ng has contributed significantly to the strategic relationship between the Group and various renowned mobile handset manufacturers.

Mr. NG Kok Tai, aged 50, Executive Deputy Chairman of the Group. He is also the President and Executive Director of First Mobile Group Sdn. Bhd., Mobile Distribution (M) Sdn. Bhd., Exquisite Model Sdn. Bhd. as well as a Director of First Telecom International Limited. He began his career in the Malaysian financial sector in 1981. In 1989, he and Mr. Ng Kok Hong ventured into the mobile phone industry and became one of the top mobile phone dealers in Kuala Lumpur. He is the elder brother of Mr. Ng Kok Hong and Mr. Ng Kok Yang.

Mr. NG Kok Yang, aged 43, Chief Executive Officer of the Group. Having obtained his law degree from the University of London, he read for the Bar at Lincoln's Inn and was admitted to the Bar of England and Wales in 1991. Upon his return to Malaysia, he was admitted to the rolls as an Advocate and Solicitor of Malaysia. From 1992 to 1996, Mr. Ng Kok Yang practiced law in Malaysia. In 1996, he joined First Telecom International Limited and shared in Mr. Ng Kok Hong's vision of a global mobile phone distribution network. Since then, his contribution has been invaluable to the growth of the Group, including establishing a strong supply network worldwide as well as a solid and extensive distribution channel in Asia Pacific. He is the younger brother of Mr. Ng Kok Hong and Mr. Ng Kok Tai.

SENIOR MANAGEMENT

Mdm. ENG Sew Chin, aged 63, Group Treasurer. Mdm. Eng is also the Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 38 years of experience in the accounting and financial field. Prior to joining the Group in July 2000, Mdm. Eng was the Financial Controller of a big group of companies involved in manufacturing, services, trading, and plantations in Malaysia. Mdm. Eng is the elder sister of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang.

Mr. MAH Kwong Chee Dyland, aged 43, Chief Financial Officer of the Group and the Company Secretary and Qualified Accountant of the Company. Mr. Mah is a fellow of the Association of Chartered Certified Accountants and brings with him over 20 years of professional experience. Prior to joining the Group, he has held senior positions around the region with multinational corporations and a public-listed company.

Mr. WONG Wai Hoe, aged 43, Senior Vice President (Hong Kong Operation) of First Telecom International Limited. Mr. Wong is a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in 2000, Mr. Wong worked in the corporate finance department of a merchant bank in Malaysia and an accounting firm in London.

The directors of the Company (the "Directors") hereby submit to shareholders their report together with the audited financial statements of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities and other particulars of the principal subsidiaries are set out in note 38 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 18. The Directors do not recommend the payment of any dividend for the year ended 31 December 2010.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 32(b) to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$49,700.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND NON-CURRENT ASSET HELD FOR SALE

Details of the movements in property, plant and equipment, investment property and non-current asset held for sale are set out in notes 18 and 19 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 31 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 74. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

DIRECTORS

The Directors in office during the year and up to the date of this report are:

Executive Directors
Mr. Ng Kok Hong
Mr. Ng Kok Tai
Mr. Ng Kok Yang

In accordance with Article 116 of the Company's Articles of Association, Mr. Ng Kok Tai shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

There are currently no non-executive Directors following the resignation of all three of the Company's independent non-executive Directors on 2 December 2009.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

A profile of the Directors and senior management are set out on page 7.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company under which they act as executive Directors for an initial term of three years commencing from 1 January 2001 and shall continue thereafter until terminated by either party giving to the other not less than six months' notice in writing. The executive Directors are entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the Group attributable to owners of the Company. The percentage shall be determined by the Board of Directors but in any case the aggregate amount payable in each financial year to all the executive Directors of the Company shall not exceed 10% of such profit.

Based on the audited financial results of the Group for the year ended 31 December 2010, the executive Directors are not entitled to any discretionary bonus for the year ended 31 December 2010 (2009: nil).

Save as disclosed above, the Director standing for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

Details of the Share Option Scheme of the Company are set out in note 33 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2010, 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

	Number of non-voting deferred shares of HK$1.00 each in First Telecom International Limited		
Name of Director	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 31 December 2010, 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 year 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

On 27 August 2010, the Company entered into a Subscription Agreement (as amended by the side letters dated 15 September 2010 and 23 December 2010, 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 (the "Subscription").

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 upon completion of the Subscription in accordance with the terms under the Subscription Agreement. 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 such 925,714,285 subscription shares of the Company.

Save as disclosed above and in the section headed "Directors' Interests and Short Positions in Shares", as at 31 December 2010, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company had an interest in a business which competes or may compete with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	58%
– five largest customers combined	76%
Purchases	
– the largest supplier	74%
– three largest, representing all suppliers combined	100%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 13 to 15.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITOR

The accompanying financial statements have been audited by ANDA CPA Limited who will retire at the forthcoming annual general meeting and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Kok Hong
Executive Chairman
Hong Kong, 31 March 2011

CORPORATE GOVERNANCE PRACTICES

The Company's code on corporate governance practices is modelled after and adopted by reference to the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Company has complied with all the code provisions as set out in the CG Code throughout the financial year ended 31 December 2010 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.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is presently composed of three members, comprising of executive Directors. All Directors had served throughout the year ended 31 December 2010. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors' profiles are set out on page 7. The three executive Directors are brothers.

The Board members as at 31 December 2010 were:

Executive Directors
Mr. Ng Kok Hong *(Executive Chairman)*
Mr. Ng Kok Tai *(Executive Deputy Chairman)*
Mr. Ng Kok Yang *(Chief Executive Officer)*

The Board is responsible for directing the Group to success and enhancing shareholders' value by formulating the Group's overall strategy, key objectives and policies. The Board monitors and oversees the operating and financial performance of the Group pursuant to these objectives.

The Board has also delegated the day-to-day management and operation of the Group's business to the management team.

The Board meets regularly at least four times a year and additional meetings are convened as and when the Board considers necessary. In 2010, four Board meetings were held. The Directors' attendance at Board meetings held during the year is set out below:

	Attendance/ No. of meeting held
Executive Directors	
Mr. Ng Kok Hong *(Executive Chairman)*	4/4
Mr. Ng Kok Tai *(Executive Deputy Chairman)*	4/4
Mr. Ng Kok Yang *(Chief Executive Officer)*	4/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are segregated and their positions held by different individuals to ensure their respective independence, accountability and responsibility.

The Chairman is responsible for providing leadership to and overseeing the function of the Board while the Chief Executive Officer is responsible for implementing the Board's strategy and managing the Group's business and operations.

NON-EXECUTIVE DIRECTORS

There are currently no non-executive Directors on the Board following the resignation of all three INEDs on 2 December 2009.

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 audited financial results and statements of the Company for the year ended 31 December 2010 have not been reviewed by the Audit Committee as there were no INEDs to constitute the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for developing the remuneration policies of Directors and senior management.

There is currently no Remuneration Committee as there are no INEDs to constitute the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors.

There is currently no Nomination Committee as there are no INEDs to constitute the Nomination Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") governing securities transactions by its Directors modelled on terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules, as amended from time to time.

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the year ended 31 December 2010.

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group and that the financial statements are issued in accordance with statutory requirements and applicable accounting standards.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' interest and the Group's assets. During the year, the Board had reviewed the effectiveness of the system of internal control of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.

In addition, the Company had appointed an independent professional firm during the year to perform a review on the Group's internal control system. Based on the result of the review by the independent professional firm, the Board considered that, save for the vacancy of the INEDs, the Group's internal control system is effective in all material respect.

AUDITOR'S REMUNERATION

During the year ended 31 December 2010, the professional fees paid or payable to the Company's independent auditor, ANDA CPA Limited, for services rendered are set out below:

	HK$'000
Statutory audit services	880
Non-audit services on resumption proposal	130
Total	1,010

INVESTOR RELATIONS

The Company maintains a website at www.firstmobile.com to disseminate all necessary information to shareholders, including but not limited to annual reports, interim reports, announcements, circulars, notices of shareholders' meetings and media releases.

TO THE SHAREHOLDERS OF
FIRST MOBILE GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 73, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company (the "Directors") are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work and the material uncertainty relating to the going concern basis as described in the basis for disclaimer of opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2009 (the "2009 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to the going concern basis, details of which are set out in our audit report dated 21 September 2010. Accordingly, we were then unable to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's results and cash flows for that year then ended.

2. Scope limitation — opening inventories

We were initially appointed as auditor of the Company subsequent to the end of its reporting period of 31 December 2009. In consequence we were unable to carry out satisfactory auditing procedures or by other alternative means to obtain adequate assurance regarding the existence, quantities and conditions of inventories, appearing in the consolidated statement of financial position of HK$14,258,000 as at 31 December 2009. Any adjustment to the figure might have significant consequential effects on the Group's results for the two years ended 31 December 2009 and 2010 and the financial position of the Group as at 31 December 2009, and the related disclosures thereof in the consolidated financial statements.

3. Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") will be submitted to The Stock Exchange of Hong Kong Limited as soon as practicable.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion

Because of the significance of the scope limitations and the material uncertainty relating to the going concern basis as described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited
Certified Public Accountants
Chen Chi Hing
Practising Certificate Number P05068
Hong Kong, 31 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CONTINUING OPERATION			
Revenue	8	**189,544**	3,106,161
Cost of sales		**(187,313)**	(3,094,463)
Gross profit		**2,231**	11,698
Other income	9	**57,708**	13,131
Selling and distribution expenses		**(10,090)**	(51,054)
General and administrative expenses		**(34,124)**	(1,959,543)
Other operating expenses		**(4,028)**	(40,573)
Profit/(loss) from operations		**11,697**	(2,026,341)
Finance costs	10	**(169,778)**	(97,839)
Share of loss of an associate		**–**	(1,642)
Loss before tax		**(158,081)**	(2,125,822)
Income tax	11	**(2,253)**	(10,855)
Loss for the year from continuing operation		**(160,334)**	(2,136,677)
DISCONTINUED OPERATION	12		
Loss for the year from discontinued operation		**–**	(27,927)
Loss for the year	13	**(160,334)**	(2,164,604)
Attributable to:			
Owners of the Company:			
Loss from continuing operation		**(158,823)**	(2,136,509)
Loss from discontinued operation		**–**	(27,910)
Loss attributable to owners of the Company	14	**(158,823)**	(2,164,419)
Non-controlling interest:			
Loss from continuing operation		**(1,511)**	(168)
Loss from discontinued operation		**–**	(17)
Loss attributable to non-controlling interests		**(1,511)**	(185)
		(160,334)	(2,164,604)
Loss per share	17		
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)		**(8.16)**	(111.23)
From continuing operation			
– Basic and diluted (HK cents per share)		**(8.16)**	(109.80)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(160,334)**	(2,164,604)
Other comprehensive loss:		
Exchange differences on translation of foreign operations	**214**	(4,145)
Total comprehensive loss for the year	**(160,120)**	(2,168,749)
Attributable to:		
Owners of the Company	**(158,628)**	(2,168,561)
Non-controlling interests	**(1,492)**	(188)
	(160,120)	(2,168,749)

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	At 31 December 2010 HK$'000	At 31 December 2009 HK$'000 (restated)	At 1 January 2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	18	**3,450**	51,590	70,711
Investment property	19	**–**	8,539	8,650
Investment in an associate	21	**–**	–	2,331
Deferred tax assets		**–**	–	14,254
		3,450	60,129	95,946
Current assets				
Inventories	22	**5,551**	14,258	551,687
Trade receivables	23	**12,089**	16,882	1,637,999
Financial assets at fair value through profit or loss		**–**	–	614
Prepayments, deposits and other receivables	24	**13,063**	24,138	106,797
Derivative financial instruments		**–**	–	1,425
Current tax assets		**3,448**	16,116	17,377
Pledged bank deposits	25	**240**	42,926	409,427
Bank and cash balances	25	**7,242**	18,414	97,983
		41,633	132,734	2,823,309
Non-current asset held for sale	19	**9,278**	–	–
		50,911	132,734	2,823,309
Current liabilities				
Trade and bills payables	26	**563,163**	585,768	1,114,530
Accruals and other payables		**328,862**	147,445	96,028
Bank borrowings	27	**507,665**	645,658	714,807
Finance lease payables	28	**396**	645	2,677
Current tax liabilities		**2,112**	864	6,696
		1,402,198	1,380,380	1,934,738
Net current (liabilities)/assets		**(1,351,287)**	(1,247,646)	888,571
Total assets less current liabilities		**(1,347,837)**	(1,187,517)	984,517
Non-current liabilities				
Finance lease payables	28	**334**	998	2,851
Bank borrowings		**–**	–	4,514
Deferred tax liabilities	30	**6,347**	5,976	3,886
		6,681	6,974	11,251
NET (LIABILITIES)/ASSETS		**(1,354,518)**	(1,194,491)	973,266

As at 31 December 2010

	Notes	At 31 December 2010 HK$'000	At 31 December 2009 HK$'000 (restated)	At 1 January 2009 HK$'000 (restated)
Capital and reserves				
Share capital	31	**194,600**	194,600	194,570
Reserves	32	**(1,547,626)**	(1,389,091)	778,525
Equity attributable to owners of the Company		**(1,353,026)**	(1,194,491)	973,095
Non-controlling interests		**(1,492)**	–	171
TOTAL EQUITY		**(1,354,518)**	(1,194,491)	973,266

Approved by the Board of Directors on 31 March 2011

Ng Kok Hong
Director

Ng Kok Yang
Director

Statement of Financial Position

As at 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Current assets			
Other receivable		**261**	–
Bank and cash balances		**32**	136
		293	136
Current liabilities			
Accruals and other payables		**4,392**	1,435
Financial guarantee liabilities	29	**962,184**	1,050,599
		966,576	1,052,034
NET LIABILITIES		**(966,283)**	(1,051,898)
Capital and reserves			
Share capital	31	**194,600**	194,600
Reserves	32	**(1,160,883)**	(1,246,498)
TOTAL EQUITY		**(966,283)**	(1,051,898)

Approved by the Board of Directors on 31 March 2011

Ng Kok Hong
Director

Ng Kok Yang
Director

For the year ended 31 December 2010

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2009	194,570	127,258	3,982	26,004	12,537	608,744	973,095	171	973,266
Total comprehensive loss for the year	–	–	–	(4,142)	–	(2,164,419)	(2,168,561)	(188)	(2,168,749)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	44	44
Disposal of subsidiaries	–	–	–	–	–	–	–	(27)	(27)
Share-based payments	–	–	–	–	895	–	895	–	895
Issue of ordinary shares upon exercise of share options	30	281	–	–	(231)	–	80	–	80
At 31 December 2009 and 1 January 2010	**194,600**	**127,539**	**3,982**	**21,862**	**13,201**	**(1,555,675)**	**(1,194,491)**	**–**	**(1,194,491)**
Total comprehensive loss for the year	**–**	**–**	**–**	**195**	**–**	**(158,823)**	**(158,628)**	**(1,492)**	**(160,120)**
Share-based payments	**–**	**–**	**–**	**–**	**93**	**–**	**93**	**–**	**93**
Transfer upon forfeiture of share options	**–**	**–**	**–**	**–**	**(5,697)**	**5,697**	**–**	**–**	**–**
At 31 December 2010	**194,600**	**127,539**	**3,982**	**22,057**	**7,597**	**(1,708,801)**	**(1,353,026)**	**(1,492)**	**(1,354,518)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Cash flows from operating activities		
Loss before tax:		
From continuing operation	**(158,081)**	(2,125,822)
From discontinued operation	**–**	(26,016)
Adjustments for:		
Interest income	**(35)**	(4,455)
Finance costs	**169,778**	98,630
Share-based payments	**93**	895
Share of loss of an associate	**–**	1,642
Depreciation of property, plant and equipment	**2,571**	7,570
Gains on disposal of property, plant and equipment, net	**(47,423)**	(5,020)
Depreciation of investment property	**194**	179
Gain on disposal of subsidiaries	**–**	(7,321)
Impairment on investment in an associate	**–**	1,785
Impairment on property, plant and equipment	**–**	3,467
Inventories written off	**6,390**	17,081
Reversal of impairment on inventories	**(4,422)**	(25,726)
Impairment on trade receivables	**–**	1,850,088
Bad debts written off	**–**	24,473
Reversal of impairment on trade receivables	**(5,360)**	–
Loss on financial assets at fair value through profit or loss	**–**	614
Impairment on prepayments, deposits and other receivables	**–**	19,893
Reversal of impairment on other receivables	**(3,307)**	–
Operating loss before working capital changes	**(39,602)**	(168,043)
Decrease in inventories	**6,739**	540,760
Decrease/(increase) in trade receivables	**10,153**	(254,102)
Decrease in derivative financial instruments	**–**	1,425
Decrease in prepayments, deposits and other receivables	**14,382**	56,736
Decrease in trade and bills payables	**(5,289)**	(524,147)
Increase/(decrease) in accruals and other payables	**30,828**	(665)
Cash generated from/(used in) operations	**17,211**	(348,036)
Hong Kong profits tax paid	**(84)**	(3,954)
Hong Kong profits tax refunded	**792**	–
Overseas tax paid	**(566)**	(4,695)
Overseas tax refunded	**12,396**	6,128
Interest received	**35**	4,455
Interest paid	**(19,189)**	(44,167)
Net cash generated from/(used in) operating activities	**10,595**	(390,269)

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Investment in an associate		**–**	(1,145)
Purchases of property, plant and equipment		**(199)**	(2,488)
Proceeds from disposals of property, plant and equipment	34(b)	**472**	13,426
Disposal of subsidiaries, net of cash disposed of	34(a)	**–**	17,514
Decrease in pledged bank deposits		**42,686**	364,574
Net cash generated from investing activities		**42,959**	391,881
Cash flows from financing activities			
Contributions from non-controlling shareholders		**–**	44
Proceeds from issue of ordinary shares		**–**	80
Repayment of bank borrowings	34(b)	**(56,691)**	(143,893)
Repayment of finance lease payable		**(913)**	(3,499)
Net cash used in financing activities		**(57,604)**	(147,268)
Net decrease in cash and cash equivalents		**(4,050)**	(145,656)
Effect of changes in foreign exchange rates		**(2,180)**	(3,267)
Cash and cash equivalents at beginning of year		**(56,633)**	92,290
Cash and cash equivalents at end of year		**(62,863)**	(56,633)
Analysis of cash and cash equivalents			
Bank and cash balances		**7,242**	18,414
Bank overdrafts, secured		**(70,105)**	(75,047)
		(62,863)	(56,633)

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 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The address of its principal place of business is Suite 1915, 19th Floor, Grandtech Centre, 8 On Ping Street, 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 were suspended from trading since 27 November 2009.

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

2. Basis of preparation

Suspension of trading in shares of the Company

At the request of the Company, trading in shares of the Company had 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, with the assistance of its financial advisor, Asian Capital (Corporate Finance) Limited, is finalising the Resumption Proposal which will be submitted to The Stock Exchange as soon as practicable.

Proposed restructuring of the Group (the "Proposed Restructuring")

As described in the Company's announcement on 5 July 2010, the Company, the potential investor, the major shareholders and the authorised agent of the creditors, Deloitte Touche Tohmatsu ("Deloitte"), entered into the exclusivity agreement (the "Exclusivity Agreement") on 25 June 2010 for the purpose of the Proposed Restructuring. The Proposed Restructuring will be carried out by way of either the debt acquisition or the scheme of arrangement depending on the indication of preference by the creditors during the creditors' election period.

2. Basis of preparation (continued)

Proposed restructuring of the Group (the "Proposed Restructuring") (continued)

On 18 August 2010, the Company announced that, upon the expiry date of the creditors' election period, it was determined on 12 August 2010 that the Proposed Restructuring will be carried out by way of the scheme of arrangement in accordance with the Exclusivity Agreement as determined by the indication of preference received from the relevant creditors during the creditors' election period. Furthermore, creditors whose indebtedness represents more than 75% in value of the total indebtedness had executed the standstill agreement (the "Standstill Agreement") with the Group during the creditors' election period. Subsequently, on 22 December 2010, Deloitte issued a notice informing all relevant parties participating in the Standstill Agreement that the long stop date under the Standstill Agreement has been extended from 31 December 2010 to 31 March 2011. The Company is currently seeking a further extension of the long stop date under the Standstill Agreement.

The Proposed Restructuring involves the proposed capital reorganisation, proposed creditor schemes and group reorganisation, and proposed subscription for new shares and proposed application for the granting of the whitewash waiver. The completion of the Proposed Restructuring is conditional upon fulfilment of certain 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 by the Stock Exchange to the Company granting in-principle approval to the Resumption Proposal.

The details of the conditions precedent and updates on the Proposed Restructuring are further described in the announcements of the Company on 16 September 2010, 30 September 2010, 24 December 2010 and 14 February 2011 (hereinafter referred to as the "Announcements"). The Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements as summarised below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements.

(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 50,000,000,000 Adjusted Shares of HK$0.01 each and the issued share capital of the Company will be reduced to HK$486,499.14 divided into 48,649,914 Adjusted Shares of HK$0.01 each. The Adjusted Shares after Capital Reorganisation will be identical and rank pari passu in all respects with each other.

(b) Creditor Schemes

Pursuant to the proposed Creditor Schemes, upon it becoming effective, all or any claims against 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 funds received through the realisation or winding up of the Scheme Subsidiaries after payment of their respective liabilities; and (iii) assignments and/or transfers of balances between Scheme Subsidiaries and the Company together with the Retained Subsidiaries up to the Effective Date to Newco or the Administrators (or their nominees) for the purpose of the Creditor Schemes.

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.

2. Basis of preparation (continued)

Proposed restructuring of the Group (the "Proposed Restructuring") (continued)

(b) Creditor Schemes (continued)

On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court. The Hong Kong Scheme will become effective and legally binding on the Company and the Creditors upon (i) fulfillment of conditions as stipulated under the Hong Kong Scheme, including amongst others, fulfillment of the specified conditions precedent to the Subscription Agreement; and (ii) filing of the abovementioned order of the High Court with the Registrar of Companies in Hong Kong.

(c) Group Reorganisation

The proposed Creditor Schemes and Group Reorganisation will split the Group into (i) the Retained Subsidiaries retained under the control of the Company through its wholly-owned subsidiary, Marzo Holdings Limited, a newly-incorporated SPV; and (ii) the Scheme Subsidiaries to be held outside the Restructured Group by a Newco which is wholly-owned by the Administrators for the purpose of holding the Scheme Subsidiaries.

The Group Reorganisation, being part of the Creditor Schemes which were approved by the Creditors at the scheme meeting held on 21 December 2010, if carried out at the date of the abovementioned scheme meeting, shall constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and subject to the Listing Rules requirement for notification and publication of an announcement. The relevant announcement was made on 24 December 2010.

(d) Subscription for New Shares

Pursuant to the Subscription Agreement dated 27 August 2010 (as amended by the side letters dated 15 September 2010 and 23 December 2010, 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.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$158,823,000 (2009: HK$2,164,419,000) for the year ended 31 December 2010 and as at that date, the Group had net current liabilities of approximately HK$1,351,287,000 (2009: HK$1,247,646,000) and net liabilities of approximately HK$1,354,518,000 (2009: HK$1,194,491,000) respectively.

At the end of the reporting period, the Group was unable to immediately meet its current debts obligation when they fall due and defaulted in the repayment of the bank borrowings and trade payables, which in turn triggered cross-default provisions in other credit facilities and became repayable on demand.

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 Group has been in discussion and negotiation with the creditors to explore the possibility of seeking a forbearance of the Group's payables and with the potential investor to explore the possibility of injecting new funds into the Group through the Proposed Restructuring.

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 affect the Creditor Schemes and the Subscription Agreement to settle with the 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 Proposed Restructuring will eventually be agreed upon by the Company's Creditors, the Investor, and the Company's shareholders, and successfully implemented.

2. Basis of preparation (continued)

Going concern basis (continued)

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 in 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 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); 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 and prior years except as stated below.

(a) Classification of Land Leases

Amendments to HKAS 17 "Leases" deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in the reclassification of the prepaid land lease payments with the carrying amounts of approximately HK$21,231,000 and HK$23,009,000 and re-presented as property, plant and equipment with an equivalent carrying amounts at 31 December 2009 and 2008 respectively. The related explanatory notes to the financial statements have also been revised to comply with the new requirements.

(b) Consolidation

Under the HKAS 27 (Revised) "Consolidated and Separate Financial Statements", total comprehensive income is 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. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 January 2010 and resulted in the non-controlling interests having a deficit balance reported in the profit or loss and each of related component of other comprehensive income for the year ended 31 December 2010.

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

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. These 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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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 income statement and consolidated statement of 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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. Significant accounting policies (continued)

Consolidation (continued)

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.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

4. Significant accounting policies (continued)

Foreign currency translation (continued)

(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 the income statement.

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 for each income statement 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 income statement as part of the gain or loss on disposal.

Property, plant and equipment

Leasehold land and buildings comprise mainly offices. 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 the income statement during the period in which they are incurred.

Leasehold land	Over the lease terms
Buildings	2%-4%
Leasehold improvements	20% - 25%
Motor vehicles	20% - 25%
Furniture, fixtures and equipment	8% - 25%

4. Significant accounting policies (continued)

Property, plant and equipment (continued)

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 the income statement.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, investment property is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of fifty years.

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 the income statement during the period in which they are incurred.

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 an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the income statement.

Leases

(a) 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.

(b) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

4. Significant accounting policies (continued)

Non-current assets held for sale and discontinued operation

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets's previous carrying amount and fair value less costs to sell.

Discontinued operation is a component of the Group, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

(a) The post-tax profit or loss of the discontinued operation; and

(b) The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Inventories

Inventories primarily comprise mobile phones and related accessories for resale and are stated at the lower of cost and net realisable value. Cost is determined using weighted average basis and comprise invoiced value of purchases, and where appropriate, freight, insurance and delivery charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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 the income statement.

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 the income statement.

4. Significant accounting policies (continued)

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 the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement 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 the income statement on a straight-line basis over the terms of the guarantee contracts.

4. Significant accounting policies (continued)

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 and services 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 from leasehold land and building 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) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recongised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia, Philippines and Singapore, 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 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 the income statement as incurred.

4. Significant accounting policies (continued)

Employee benefits (continued)

(c) Pension obligations (continued)

Subsidiaries in Hong Kong operate defined contribution schemes. Monthly contributions made by the subsidiaries in Hong Kong are calculated based on certain percentage of the applicable payroll costs on fixed sums as stipulated under the relevant requirements, as appropriate. Additional contributions to the scheme are at fixed sums payable monthly and agreed between the subsidiaries and the relevant employees. The assets of the schemes in Hong Kong are held separately from those of subsidiaries in independently administered funds.

(d) Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exerciseable. The total amount expensed is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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.

4. Significant accounting policies (continued)

Taxation (continued)

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 and the associate 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 the income statement, 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 party is related to the Group if:

(a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. Significant accounting policies (continued)

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 deferred tax assets, investments, 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 to sell 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.

4. Significant accounting policies (continued)

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 Proposed Restructuring as explained in note 2 to the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Critical judgements and key estimates (continued)

Key sources of estimation uncertainty (continued)

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

6. Financial risk management

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, bills payables and borrowings. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit 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") and Euro ("EUR"). To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group would use forward contracts to hedge against such risk. 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 2010, if USD had weakened or strengthened by 5% (2009: 5%) against Malaysia Ringgit ("RM"), with all other variables held constant, loss before tax for the year would have been approximately HK$3,130,000 (2009: HK$3,933,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of USD-denominated trade receivables, bank and cash balances, trade payables and bills payables in relation to the operation in Malaysia.

6. Financial risk management (continued)

(a) Market risk (continued)

Foreign exchange risk (continued)

At 31 December 2010, if HK$ had weakened or strengthened by 5% (2009: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK$597,000 (2009: HK$805,000) higher or lower, mainly as a result of foreign exchange losses or gains on translation of EUR-denominated trade receivables, 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 basis points (2009: 50 basis points) and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK$3,115,000 (2009: HK$3,738,000) mainly as a result of higher or lower interest expenses on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, cash deposits with banks and maximum exposure of credit risk is equal to the carrying amounts of these financial assets. Cash and bank transactions counter parties are limited to financial institutions with good credit rating.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 24% (2009: 17%) and approximately 94% (2009: 46%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group encounters difficulty in meeting its current obligations when they fall due. Most of the Group's debts would mature within one year as at 31 December 2010 and 2009 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 Proposed Restructuring, as further explained in note 2 to the financial statements.

(d) 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

The Group's revenue and profit for the year ended 31 December 2010 were mainly derived from its operating segment of trading and distribution of mobile phones and related accessories.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Other operation of the Group mainly comprises holding of properties, none of them meet any of the quantitative thresholds for determining a reportable segment separately. The presentation of information for other operations are included in the trading and distribution of mobile phones and related accessories segment.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include dividend income, interest income, finance costs, share of results of an associate, income tax and unallocated corporate income and expenses. Segment assets and liabilities are those operating assets and liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets consist primarily of property, plant and equipment, inventories, trade receivables, other receivables, prepayments and operating cash, and mainly exclude tax assets and other unallocated corporate assets. Segment liabilities comprise operating liabilities and exclude items such as borrowings, lease payables and tax payables. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Information about reportable segment profit or loss, assets and liabilities:

	Trading and distribution of mobile phones and related accessories HK$'000
Year ended 31 December 2010:	
Revenue from external customers	**189,544**
Segment profit	**11,662**
Interest income	**35**
Interest expense	**169,778**
Depreciation	**2,571**
Income tax	**2,253**
Other material non-cash items:	
Inventories written off	**6,390**
Reversal of impairment on inventories	**(4,422)**
Reversal of impairments on trade receivables	**(5,360)**
Reversal of impairments on other receivables	**(3,307)**
Gains on disposal of property, plant and equipment, net	**(47,423)**
Additions to segment non-current assets	**199**
At 31 December 2010:	
Segment assets	**50,913**
Segment liabilities	**892,025**

7. Segment information (continued)

	Trading and distribution of mobile phones and related accessories HK$'000	Retail sales of mobile phone and related accessories (Discontinued operation) HK$'000	Total HK$'000
Year ended 31 December 2009:			
Revenue from external customers	3,106,161	165,842	3,272,003
Segment loss	(2,030,066)	(25,955)	(2,056,021)
Interest income	3,725	730	4,455
Interest expense	97,839	791	98,630
Depreciation	6,477	1,272	7,749
Income tax	10,855	1,911	12,766
Other material non-cash items:			
Inventories written off	15,411	1,670	17,081
Reversal of impairment on inventories	(22,472)	(3,254)	(25,726)
Impairment of trade receivables	1,837,004	13,084	1,850,088
Bad debts written off	20,471	4,002	24,473
Impairment of property, plant and equipment	3,065	402	3,467
Impairment of prepayments, deposits and other receivables	19,634	259	19,893
Loss on financial assets at fair value through profit or loss	614	–	614
(Gain)/loss on disposal of property, plant and equipment	(5,398)	378	(5,020)
Additions to segment non-current assets	2,331	690	3,021
At 31 December 2009:			
Segment assets	159,851	16,896	176,747
Segment liabilities	731,063	2,150	733,213

7. Segment information (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2010 HK$'000	2009 HK$'000
Revenue:		
Total revenue of reportable segments	**189,544**	3,272,003
Elimination of discontinued operation	**–**	(165,842)
Consolidated revenue from continuing operation	**189,544**	3,106,161
Profit or loss:		
Total profit or loss of reportable segments	**11,662**	(2,056,021)
Corporate and unallocated profit or loss	**(171,996)**	(108,583)
Elimination of discontinued operation	**–**	27,927
Consolidated loss from continuing operation	**(160,334)**	(2,136,677)
Assets:		
Total assets of reportable segments	**50,913**	176,747
Corporate and unallocated assets	**3,448**	16,116
Consolidated total assets	**54,361**	192,863
Liabilities:		
Total liabilities of reportable segments	**892,025**	733,213
Corporate and unallocated liabilities	**516,854**	654,141
Consolidated total liabilities	**1,408,879**	1,387,354

7. Segment information (continued)

Geographical information:

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000 (restated)
Hong Kong	**102**	2,372,945	**1,025**	35,286
Malaysia	**9,585**	305,818	**721**	22,764
Indonesia	**140,011**	81,638	**860**	1,070
Vietnam	**24,958**	61,310	**341**	487
India	**14,888**	70,163	**68**	102
Singapore	**–**	290,761	**–**	–
Other countries	**–**	89,368	**435**	420
Discontinued operation	**–**	(165,842)	**–**	–
Consolidated total for continuing operation	**189,544**	3,106,161	**3,450**	60,129

In presenting the geographical information, revenue is based on the location of the customers. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

8. Revenue

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities, and gross rental income received and receivables during the year. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. An analysis of the Group's revenue is as follows:

	2010	2009
	HK$'000	HK$'000
Turnover from sales of mobile phones and related accessories, net	**185,779**	3,263,274
Other revenue:		
Rental income	**2,064**	8,454
Sundry income	**1,701**	275
Total revenue	**189,544**	3,272,003
Representing:		
Continuing operation	**189,544**	3,106,161
Discontinued operation (note 12)	**–**	165,842
	189,544	3,272,003

9. Other income

	2010 HK$'000	2009 HK$'000
Gain on derivative financial instruments	–	503
Compensation from insurance claim	266	827
Interest income	35	4,455
Exchange gains, net	–	2,303
Gains on disposal of property, plant and equipment, net	47,423	5,020
Reversal of impairment on trade receivables	5,360	–
Reversal of impairment on other receivables	3,307	–
Sundry income	1,317	4,694
	57,708	17,802
Representing:		
Continuing operation	57,708	13,131
Discontinued operation (note 12)	–	4,671
	57,708	17,802

10. Finance costs

	2010 HK$'000	2009 HK$'000
Interest expenses on borrowings and payables wholly repayable within five years		
– bank borrowings	61,146	40,680
– finance leases	112	286
– trade payables	108,520	57,664
	169,778	98,630
Representing:		
Continuing operation	169,778	97,839
Discontinued operation (note 12)	–	791
	169,778	98,630

11. Income tax

	2010 HK$'000	2009 HK$'000
Overseas current tax	**545**	977
Under/(over) provision in prior years	**1,727**	(2,971)
Deferred tax (note 30)	**(19)**	14,760
	2,253	12,766
Representing:		
Continuing operation	**2,253**	10,855
Discontinued operation (note 12)	**–**	1,911
	2,253	12,766

No provision for Hong Kong profits tax is required since the Group has no assessable profit sourced in Hong Kong for both years. Tax on overseas profits has been calculated on the estimated assessable profits for the 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:

	2010 HK$'000	2009 HK$'000
Loss before tax:		
From continuing operation	**(158,081)**	(2,125,822)
From discontinued operation	**–**	(26,016)
	(158,081)	(2,151,838)
Calculated at a domestic tax rate of 16.5% (2009: 16.5%)	**(26,083)**	(355,053)
Effect of different tax rates in other countries	**7,075**	(11,067)
Income not subject to tax	**(9,942)**	(15,010)
Expenses not deductible for tax purpose	**20,809**	34,886
Utilisation of previously unrecognised tax losses	**–**	(5,109)
Under/(over) provision of tax in prior years	**1,727**	(2,971)
Effect on opening deferred tax assets due to change in tax rate	**(907)**	138
Tax losses not recognised	**9,574**	366,952
	2,253	12,766

12. Discontinued operation

During the prior year, the Group had ceased its operation in retail sales of mobile phones and related accessories. The loss for the prior year from the discontinued operation was analysed as follows:

	2009 HK$'000
Loss from discontinued operation	(35,248)
Gain on disposal of subsidiaries	7,321
	(27,927)

The results of the discontinued operation which had been included in consolidated income statement were as follows:

	2009 HK$'000
Revenue	165,842
Cost of sales	(150,928)
Gross profit	14,914
Other income	4,671
Selling and distribution expenses	(11,151)
General and administrative expenses	(36,730)
Other operating expenses	(4,250)
Loss from operation	(32,546)
Finance costs	(791)
Loss before tax	(33,337)
Income tax	(1,911)
Loss for the year	(35,248)

The net cash outflows incurred by the operation in retail sales of mobile phones and related accessories were as follows:

	2009 HK$'000
Operating activities	(72,929)
Investing activities	51,782
Financing activities	(22,326)
Net cash outflows	(43,473)

13. Loss for the year

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

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	**187,313**	3,245,391
Auditors' remuneration:		
– provision for the year	**1,693**	1,760
– (over)/under provision in prior years	**(1,061)**	755
Depreciation:		
– property, plant and equipment	**2,571**	7,570
– investment property	**194**	179
Direct operating expenses arising from investment property that generate rental income	**233**	220
Loss on financial assets at fair value through profit or loss*	**–**	614
Losses on derivative financial instruments*	**–**	922
Operating leases:		
– land and buildings	**2,620**	18,435
– office equipment	**227**	518
Pre-operating costs	**–**	333
Impairment on investment in an associate*	**–**	1,785
Impairment on property, plant and equipment*	**–**	3,467
Inventories written off (included in cost of inventories sold)	**6,390**	17,081
Impairment on trade receivables**	**–**	1,850,088
Bad debts written off**	**–**	24,473
Impairment on prepayments, deposits and other receivables*	**–**	19,893
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**15,023**	79,075
– share-based payments	**93**	895
– retirement benefits scheme contributions	**680**	4,664
	15,796	84,634
Exchange losses/(gains)*	**1,404**	(2,302)
Gains on disposal of property, plant and equipment, net*	**(47,423)**	(5,020)
Gain on disposal of subsidiaries	**–**	(7,321)
Reversal of impairment on inventories# (included in cost of inventories sold)	**(4,422)**	(25,726)
Reversal of impairment on trade receivables*	**(5,360)**	–
Reversal of impairment on other receivable*	**(3,307)**	–

* These items were included in other income or other operating expenses.

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

\# The impairments on inventories were reversed as their carrying amounts were subsequently recovered with the higher net realisable values.

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 profit of approximately HK$85,522,000 (2009: a loss of approximately HK$1,567,815,000).

15. Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2010 is set out below:

	Salary HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Director:			
Ng Kok Hong	**12**	**12**	**24**
Ng Kok Tai	**925**	**111**	**1,036**
Ng Kok Yang	**12**	**12**	**24**
	949	**135**	**1,084**

During the year, Mr. Ng Kok Hong and Mr. Ng Kok Yang, executive Directors of the Company, have agreed to waive their emoluments of approximately HK$3,522,000 (2009: HK$2,487,000) and HK$2,154,000 (2009: HK$1,392,000) respectively. Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

The remuneration of each Director for the year ended 31 December 2009 is set out below:

	Fees HK$'000	Salary HK$'000	Other benefits HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Director:					
Ng Kok Hong	–	3,534	1,125	12	4,671
Ng Kok Tai	–	1,864	44	131	2,039
Ng Kok Yang	–	2,166	660	12	2,838
Independent non-executive Director:					
See Tak Wah*	275	–	–	–	275
Wu Wai Chung, Michael*	275	–	–	–	275
Wong Tin Sang, Patrick*	275	–	–	–	275
	825	7,564	1,829	155	10,373

* Resigned as a director on 2 December 2009

15. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

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

	2010 HK$'000	2009 HK$'000
Directors	1,084	9,548
Employees	2,242	3,593
	3,326	13,141

Details of the aggregate emoluments to the employees are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefit-in-kind	2,176	3,023
Share-based payments	–	413
Bonuses	–	133
Retirement benefit costs	66	24
	2,242	3,593

The number of employees whose remuneration fell within the following bands are as follows:

	Number of individuals	
	2010	2009
HK$1,000,000 or below	4	–
HK$1,000,001 to HK$1,500,000	–	1
HK$2,000,001 to HK$2,500,000	–	1
	4	2

Save as disclosed above, for the two years ended 31 December 2010 and 2009, 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 2010 (2009: nil).

17. Loss per share

(a) From continuing and discontinued operations

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$158,823,000 (2009: HK$2,164,419,000) and the weighted average number of 1,945,996,565 (2009: 1,945,754,099) ordinary shares in issue during the year.

(b) From continuing operation

The calculation of basic loss per share from continuing operation attributable to owners of the Company was based on the loss for the year from continuing operation attributable to owners of the Company of approximately HK$158,823,000 (2009: HK$2,136,509,000) and the denominators for number of shares in issue were the same as that detailed above for basic loss per share from continuing and discontinued operations.

(c) From discontinued operation

Basic loss per share from the discontinued operation for the prior year was HK1.43 cents per share based on the loss for the prior year from discontinued operation attributable to the owners of the Company of approximately HK$27,910,000 and the denominators for number of shares in issue were the same as that detailed above for basic loss per share from continuing and discontinued operations.

The Company's outstanding share options has not had a dilutive effect on loss per share for the two years ended 31 December 2010 and 2009.

18. Property, plant and equipment

	Group					
	Freehold property HK$'000	**Leasehold land and buildings** HK$'000	**Leasehold improvements** HK$'000	**Motor vehicles** HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
Cost:						
At 1 January 2009, as restated	11,925	52,474	12,846	14,698	38,176	130,119
Additions	–	–	830	757	1,434	3,021
Disposals	–	(1,914)	(3,976)	(8,179)	(5,712)	(19,781)
Disposal of subsidiaries	–	–	(2,500)	–	(1,484)	(3,984)
Transfers	–	–	10	–	(10)	–
Exchange differences	104	–	64	137	268	573
At 31 December 2009 and 1 January 2010	**12,029**	**50,560**	**7,274**	**7,413**	**32,672**	**109,948**
Additions	**–**	**–**	**24**	**–**	**175**	**199**
Disposals	**(13,324)**	**(50,560)**	**(5,829)**	**(2,341)**	**(10,449)**	**(82,503)**
Exchange differences	**1,295**	**–**	**182**	**340**	**1,892**	**3,709**
At 31 December 2010	**–**	**–**	**1,651**	**5,412**	**24,290**	**31,353**
Accumulated depreciation and impairment losses:						
At 1 January 2009, as restated	304	14,483	8,700	6,294	29,627	59,408
Charge for the year	74	1,497	961	2,162	2,876	7,570
Disposals	–	(129)	(2,212)	(4,729)	(3,396)	(10,466)
Disposal of subsidiaries	–	–	(1,113)	–	(889)	(2,002)
Transfers	–	–	4	–	(4)	–
Impairments	–	912	696	–	1,859	3,467
Exchange differences	6	–	51	80	244	381
At 31 December 2009 and 1 January 2010	**384**	**16,763**	**7,087**	**3,807**	**30,317**	**58,358**
Charge for the year	**34**	**622**	**140**	**729**	**1,046**	**2,571**
Disposals	**(613)**	**(17,385)**	**(5,822)**	**(1,580)**	**(9,964)**	**(35,364)**
Exchange differences	**195**	**–**	**175**	**238**	**1,730**	**2,338**
At 31 December 2010	**–**	**–**	**1,580**	**3,194**	**23,129**	**27,903**
Carrying amount:						
At 31 December 2009, as restated	11,645	33,797	187	3,606	2,355	51,590
At 31 December 2010	**–**	**–**	**71**	**2,218**	**1,161**	**3,450**

18. Property, plant and equipment (continued)

(a) The recoverable amount of impaired asset is estimated in order to determine the extent of any impairment loss on property, plant and equipments (the "PPE"). The recoverable amount of the PPE is the higher of their estimated fair value less cost to sell and value in use. Due to the cessation of the Group's business in retail sales of mobile phones and related accessories for the year ended 31 December 2009 and the uncertainties relating to the implementation of the future business plan of the Group pursuant to the Proposed Restructuring, the Directors considered that it was more appropriate to determine the recoverable amounts of the PPE on the basis of their estimated fair values less cost to sell. The fair values of the Group's PPE had been estimated by reference to market evidence of recent transactions for similar assets. The impairment loss is recognised and charged to profit or loss in the period in which it arises to the extent that the carrying amount exceeds its recoverable amount.

In prior year, having regard to the market conditions and the existing use of the Group's PPE, the Directors carried out a review on the recoverable amount of the Group's PPE at 31 December 2009. The review led to the recognition of an impairment loss of approximately HK$3,467,000 that was recognised and charged to profit or loss for the year ended 31 December 2009.

(b) At 31 December 2009, the freehold property of approximately HK$11,645,000 was located outside Hong Kong and the leasehold land and buildings of approximately HK$33,797,000, as restated, were located in Hong Kong with the lease teams ranging from 10 to 50 years.

(c) The net carry amounts of the Group's assets under finance leases included in the total amounts of motor vehicles at the end of the reporting period amounted to approximately HK$1,633,000 (2009: HK$3,247,000).

(d) At 31 December 2009, the freehold property and the leasehold land and buildings with the aggregate carrying amounts of approximately HK$45,442,000, as restated, were pledged to secure the Group's bank borrowings (note 27).

19. Investment property and non-current asset held for sale

	Group		
	Investment property		Non-current asset held for sale
	2010	2009	**2010**
	HK$'000	HK$'000	**HK$'000**
At 1 January	**8,539**	8,650	**–**
Charge for the year	**(194)**	(179)	**–**
Exchange differences	**933**	68	**–**
Classified as non-current asset held for sale - note 19 (d)	**(9,278)**	–	**9,278**
At 31 December	**–**	8,539	**9,278**

(a) The investment property held for sale is a freehold property located at Suite 3A-5, Level 5, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia. The estimated fair value of the property at the end of the reporting period was approximately HK$19,371,000 (2009: HK$17,445,000) which was determined based on recent market transactions.

19. Investment property and non-current asset held for sale (continued)

(b) At the end of the reporting period, the investment property held for sale with the carrying amount of approximately HK$9,278,000 (2009: HK$8,539,000) was pledged to secure the Group's bank borrowings (note 27).

(c) The Group had no unprovided contractual obligations for future repairs and maintenance (2009: Nil).

(d) As explained in note 2 to the financial statements, the Group had defaulted in repayment of its indebtedness. As a consequence, the pledged investment property was compulsorily foreclosed by the bank creditor on 21 September 2010 (the "Foreclosure"). Subsequent to the end of the reporting period, the Foreclosure was completed on 24 January 2011 (the "Completion Date"). On the Completion Date, the said pledged investment property was sold at a consideration of approximately HK$19,371,000 to repay the related bank borrowings. In view of this fact, the investment property was accordingly reclassified as non-current asset held for sale at the end of the reporting period.

20. Investments in subsidiaries

		Company	
	Notes	**2010**	2009
		HK$'000	HK$'000
Unlisted shares, at cost	(a)	**233,433**	233,433
Less: Impairments	(c)	**(233,433)**	(233,433)
		–	–
Amount due from a subsidiary	(b)	**339,266**	339,880
Less: Impairments	(c)	**(339,266)**	(339,880)
		–	–

Notes:

(a) Particulars of principal subsidiaries are set out in note 38 to the financial statements.

(b) The amount due from a subsidiary was unsecured, interest free and had no fixed terms of repayment.

(c) At 31 December 2010 and 2009, the Directors performed an impairment testing on the Group's investments in subsidiaries and the amount due from a subsidiary, and they considered that their carrying amounts are in excess of the recoverable amounts as a result of the rapid and continuing deterioration in the Group's business, the persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK$233,433,000 (2009: HK$233,433,000) against the investments in subsidiaries and approximately HK$339,266,000 (2009: HK$339,880,000) were made against the amount due from a subsidiary at the end of the reporting period.

21. Investment in an associate

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**–**	–
Goodwill	**1,785**	1,785
	1,785	1,785
Less: Impairments	**(1,785)**	(1,785)
	–	–

At 31 December 2010 and 2009, the Directors performed an impairment testing on the Group's investments in an associate, and they considered that its carrying amount is in excess of the recoverable amount as a result of the continuing operating losses of the associate. Accordingly, a provision for impairment of approximately HK$1,785,000 (2009: HK$1,785,000) was made against the carrying amount of the Group's investment in the associate at the end of the reporting period.

Summarised financial information in respect of the Group's associate is set out below:

	2010	2009
	HK$'000	HK$'000
At 31 December:		
Total assets	**42**	3,047
Total liabilities	**(4,966)**	(3,973)
	(4,924)	(926)

	2010	2009
	HK$'000	HK$'000
For the year ended 31 December:		
Revenue	**–**	10,562
Loss for the year	**(3,710)**	(5,861)

21. Investment in an associate (continued)

Details of the Group's associate at the end of the reporting period were as follows:

Name of the associate	Effective percentage of issued capital held by the Company indirectly 2010	2009	Principal activities
Mobile FPX Sdn. Bhd.	**32.50%**	32.50%	Designing, developing, integrating, producing, distributing and operating the secured mobile payment system/platform and the finished products

At the end of the reporting period, the Group had unrecognised loss for the year of approximately HK$1,266,000 (2009: HK$268,000) and the accumulated losses of approximately HK$1,534,000 (2009: HK$268,000) in respect of its share of equity interest in Mobile FPX Sdn. Bhd.

22. Inventories

	Group 2010 HK$'000	2009 HK$'000
Merchandises	**17,371**	24,818
Less: Impairments	**(11,820)**	(10,560)
	5,551	14,258

23. Trade receivables

The normal credit period granted to the customers of the Group was up to 30 days (2009: 90 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. At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	Group 2010 HK$'000	2009 HK$'000
1-30 days	**8,050**	12,405
31-60 days	**2,339**	18,492
61-90 days	**–**	34,871
91-120 days	**1,969**	36,594
Over 120 days	**1,239,384**	1,835,833
Less: Impairments	**(1,239,653)**	(1,921,313)
	12,089	16,882

23. Trade receivables (continued)

At the end of the reporting period, the trade receivables with the carrying amounts of approximately HK$4,039,000 (2009: HK$nil) were past due but not impaired. Approximately HK$2,339,000 and HK$1,700,000 of which were falling within the ageing band from 31 to 60 days and 91 to 120 days respectively.

The creation or release of provision for impaired trade receivable have been included in "General and administrative expenses" of the consolidated income statement. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering additional cash.

At the end of the reporting period, trade receivables of the Group amounting to approximately HK$1,239,653,000 (2009: HK$1,921,313,000) were impaired. The individually impaired trade receivables mainly related to customers that had prolonged their repayment due to unexpected financial difficulties.

Movements on the impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**1,921,313**	71,017
Impairments for the year	**–**	1,850,088
Release on disposal of subsidiaries	**–**	(795)
Reversal of impairment	**(5,360)**	–
Written off against trade receivables	**(679,837)**	–
Exchange differences	**3,537**	1,003
At 31 December	**1,239,653**	1,921,313

The gross amounts of the Group's trade receivables were denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
HK$	**1,187,233**	1,818,053
RM	**4,224**	56,144
USD	**36,698**	38,289
Indonesia Rupiah ("IDR")	**13,630**	10,558
EUR	**170**	183
Others	**9,787**	14,968
	1,251,742	1,938,195

24. Prepayment, deposits and other receivables

	Group	
	2010	2009
	HK$'000	HK$'000
Prepayments	**1,238**	1,339
Deposits and other receivables	**28,411**	42,692
	29,649	44,031
Less: Impairments	**(16,586)**	(19,893)
	13,063	24,138

Included in the impairments recognised in respect of prepayments, deposits and other receivables were individually impaired deposits and other receivables with the aggregate amounts of approximately HK$16,586,000 (2009: HK$19,893,000) with the equivalent gross amounts at the end of reporting period. The individually impaired amounts relate to counterparties that were in default of repayment. The Group did not hold any collateral or other credit enhancements over these balances.

Save as disclosed, none of the above assets was either past due or impaired, and the financial assets included in the above balances related to receivables for which there was no recent history of default.

25. Pledged bank deposits and cash and bank balances

	Group	
	2010	2009
	HK$'000	HK$'000
Pledged bank deposits	**240**	42,926
Cash and bank balances	**7,242**	18,414
	7,482	61,340

The pledged bank deposits were secured as collateral for the Group's banking facilities.

Cash at banks earned interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earned interest at the respective short term time deposit rates. The bank balances and pledged deposits were deposited with creditworthy banks with no recent history of default.

25. Pledged bank deposits and cash and bank balances (continued)

Pledged bank deposits, cash and bank balances were denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
USD	**159**	11,425
RM	**4,754**	38,397
HK$	**454**	6,855
IDR	**161**	478
Vietnam Dong ("VND")	**261**	1,359
Others	**1,693**	2,826
	7,482	61,340

26. Trade and bills payables

	Group	
	2010	2009
	HK$'000	HK$'000
Trade payables	**448,372**	442,614
Bills payables	**114,791**	143,154
	563,163	585,768

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

	Group	
	2010	2009
	HK$'000	HK$'000
1-30 days	**9,186**	4,534
31-60 days	**4**	3,591
61-90 days	**118**	33,593
91-120 days	**8,690**	82,886
Over 120 days	**430,374**	318,010
	448,372	442,614

26. Trade and bills payables (continued)

Included in the trade payables at the end of the reporting period, approximately HK$407,424,000 (2009: HK$412,341,000) of which were secured by certain corporate guarantees granted by the Company to the largest supplier of the Group and certain trade insurance companies. Included in the guaranteed trade payables, approximately HK$344,500,000 (2009: HK$344,500,000) and approximately HK$62,924,000 (2009: HK$67,841,000) 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's bills payables were secured by certain corporate guarantees granted by the Company and the pledged bank deposits of the Group to the extent of HK$nil (2009: approximately HK$16,770,600). The bills payables of the Group were interest-bearing at approximately 5.64% (2009: 3.27%) per annum.

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

	Group	
	2010	2009
	HK$'000	HK$'000
USD	**418,135**	427,608
EUR	**72,307**	80,389
RM	**57,738**	70,225
HK$	**2,267**	2,931
IDR	**2,153**	2,613
VND	**8,456**	1,083
Others	**2,107**	919
	563,163	585,768

27. Bank borrowings

	Group	
	2010	2009
	HK$'000	HK$'000
Bank loans, secured	**437,560**	570,611
Bank overdrafts, secured	**70,105**	75,047
	507,665	645,658

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

	Group	
	2010	2009
	HK$'000	HK$'000
USD	**193,252**	287,167
HK$	**205,080**	244,667
RM	**106,602**	108,810
EUR	**2,731**	5,014
	507,665	645,658

27. Bank borrowings (continued)

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

	Bank loans		Bank overdrafts	
	2010	2009	**2010**	2009
USD	**5.7%**	3.8%	**6.0%**	–
HK$	**4.3%**	4.2%	**5.9%**	6.0%
RM	**7.9%**	7.2%	**7.8%**	7.5%
EUR	**4.4%**	4.4%	**–**	–

(c) At the end of the reporting period, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company and the Group's investment property with the carrying amount of approximately HK$9,278,000 (2009: secured by the Company's corporate guarantees and the Group's freehold property, leasehold land and buildings, and investment property with the aggregate carrying amounts of approximately HK$53,981,000).

(d) At the end of the reporting period, the Group has breached certain bank covenant requirements and defaulted in repayment of the bank borrowings and all related bank borrowings hence became repayable on demand.

28. Finance lease payables

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Group			
	Minimum lease payments 2010 HK$'000	Minimum lease payments 2009 HK$'000	**Present value of minimum lease payments 2010 HK$'000**	Present value of minimum lease payments 2009 HK$'000
Amounts payable:				
Within one year	**453**	758	**396**	645
In the second to fifth years, inclusive	**323**	676	**334**	579
After five years	**71**	491	**–**	419
Total minimum finance lease payments	**847**	1,925	**730**	1,643
Future finance charges	**(117)**	(282)		
Total net finance lease payables	**730**	1,643		
Portion classified as current liabilities	**(396)**	(645)		
Non-current portion	**334**	998		

28. Finance lease payables (continued)

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 5 years. At the end of the reporting period, the average effective borrowing rate was 3.9 % (2009: 3.9%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's finance lease payables are secured by the lessor's title to the leased assets.

The carrying amounts of the finance lease payables were denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
HK$	**464**	757
RM	**114**	545
VND	**88**	128
IDR	**64**	213
	730	1,643

29. Financial guarantee liabilities

At 31 December 2010, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the largest supplier of the Group to secure the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK$962,184,000 (2009: HK$1,050,600,000) of which were utilised by the subsidiaries as at that date. As further explained in notes 2 and 27 to the financial statements, 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$962,184,000 (2009: HK$1,050,600,000) 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.

30. Deferred tax

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**(5,976)**	10,368
Credit/(charged) to income statement (note 11)	**19**	(14,760)
Disposal of subsidiaries	**–**	(1,305)
Exchange differences	**(390)**	(279)
At 31 December	**(6,347)**	(5,976)

At the end of the reporting period, no deferred tax asset has been recognised due to the unpredictability of future profit streams of the Group (2009: HK$nil).

30. Deferred tax (continued)

Subject to agreement with the tax authorities, the Group had unrecognised tax losses of approximately HK$2,294,338,000 (2009: HK$2,239,851,000) to carry forward against future taxable profits. Included in unrecognised tax losses, approximately HK$35,616,000 (2009: HK$32,477,000) were losses that will expire in the years from 2014 to 2018. Other tax losses may be carried forward indefinitely.

The movements in the Group's deferred tax liabilities during the year are as follows:

	Group			
	Accelerated tax depreciation	**Tax losses**	**Provision**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	(346)	1,467	9,247	10,368
Credit/(charged) to income statement	371	(227)	(14,904)	(14,760)
Disposal of subsidiaries	(63)	(1,236)	(6)	(1,305)
Exchange differences	9	(4)	(284)	(279)
At 31 December 2009 and 1 January 2010	**(29)**	**–**	**(5,947)**	**(5,976)**
Credit/(charged) to income statement	**29**	**–**	**(10)**	**19**
Exchange differences	**–**	**–**	**(390)**	**(390)**
At 31 December 2010	**–**	**–**	**(6,347)**	**(6,347)**

31. Share capital

	Company	
	Number of ordinary shares HK$0.10 each	**HK$'000**
Authorised:		
At 31 December 2009 and 2010	**3,000,000,000**	**300,000**
Issued and fully paid:		
At 31 December 2009 and 2010	**1,945,996,565**	**194,600**

31. Share capital (continued)

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. Except for the compliance of certain bank covenants for maintaining the Group's banking facilities, the Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2010 and 2009.

The capital structure of the Group consists of debt, which includes bank borrowings and finance lease payables disclosed in notes 27 and 28, and equity attributable to owners of the Company, comprising share capital and reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease the level of borrowings.

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 but excluding trade and bills payables, accruals and other payables as shown in the consolidated statement of financial position).

The gearing ratios at 31 December 2010 and 2009 were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Total borrowings	**508,395**	647,301
Total assets	**54,361**	192,863
Gearing ratio	**935%**	336%

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 Proposed Restructuring, as further explained in note 2 to the financial statements.

32. Reserves

(a) Group

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

(b) Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2009	287,000	12,537	20,835	320,372
Issue of ordinary shares upon exercise of share options	281	(231)	–	50
Loss for the year	–	–	(1,567,815)	(1,567,815)
Share-based payments	–	895	–	895
At 31 December 2009 and 1 January 2010	**287,281**	**13,201**	**(1,546,980)**	**(1,246,498)**
Profit for the year	**–**	**–**	**85,522**	**85,522**
Share-based payments	**–**	**93**	**–**	**93**
Transfer upon forfeiture of share options	**–**	**(5,697)**	**5,697**	**–**
At 31 December 2010	**287,281**	**7,597**	**(1,455,761)**	**(1,160,883)**

(c) Nature and purpose of reserves of the Group

(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) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4 to the financial statements.

(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.

33. Share option scheme

The purpose of the share option scheme ("Scheme") is for the Company to attract, retain and motivate talented participants to strive for the goals of the Group and to provide the Company with a flexible means of giving incentives, rewarding, remunerating, compensating and/or providing benefits to the participants. Eligible participants include executive directors, non-executive directors, employees, consultants, professional and other advisers of the Group, chief executives, substantial shareholders and its employees, and any associates of directors, chief executives or substantial shareholders of the Company, as absolutely determined by the Board. The Scheme became effective on 29 April 2003 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other option schemes at any time shall not exceed 30% of the shares in issue from time to time.

The maximum number of shares issuable to each participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share option granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 by the grantee. Options granted under this Scheme may be exercised within a period to be notified by the Board or the Committee to each grantee as being the period during which an option may be exercised, and in any event, such period shall not be longer than 10 years from the date of grant of the option.

The exercise price of the share options is determined by the Directors, but may not be less than the higher of (i) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

No share option has been exercised in the current year. During the prior year, 300,000 share options were exercised at the subscription price of HK$0.265 per share. During the year, the Group has charged share-based payments of approximately HK$93,000 (2009: HK$895,000) against the Group's results. The outstanding options at 31 December 2010 had a remaining contractual life of approximately 0.03 years and expired on 10 January 2011 (2009: 1.03 years).

33. Share option scheme (continued)

The following share options were outstanding under the Scheme during year:

Category of participant	At 1 January	Forfeited during the year	At 31 December	Date of grant of share options	Exercise period of share options	Exercise price of share options
Employees in aggregate:						
2010	**92,000,000**	**(75,500,000)**	**16,500,000**	11 July 2007	11 July 2007 to 10 January 2011	HK$0.265
	76,600,000	**(18,000,000)**	**58,600,000**	11 July 2007	11 October 2007 to 10 January 2011	HK$0.265
	12,800,000	**(10,200,000)**	**2,600,000**	11 July 2007	11 November 2007 to 10 January 2011	HK$0.265
	181,400,000	**(103,700,000)**	**77,700,000**			
Exercisable at the end of the year			**77,700,000**			

Category of participant	At 1 January	Forfeited/ exercised during the year	At 31 December	Date of grant of share options	Exercise period of share options	Exercise price of share options
Employees in aggregate:						
2009	92,000,000	–	92,000,000	11 July 2007	11 July 2007 to 10 January 2011	HK$0.265
	79,600,000	(3,000,000)	76,600,000	11 July 2007	11 October 2007 to 10 January 2011	HK$0.265
	13,100,000	(300,000)	12,800,000	11 July 2007	11 November 2007 to 10 January 2011	HK$0.265
	184,700,000	(3,300,000)	181,400,000			
Exercisable at the end of the year			170,161,324			

34. Notes to the consolidated statement of cash flows

(a) Disposal of subsidiaries

During the prior year, on 14 October 2009, the Group entered into an agreement to dispose of the Group's entire interest in a subsidiary, namely First Design Limited, to Corporate Global Limited, an independent third party, at a cash consideration of HK$1. On 26 October 2009, the Group entered into another agreement to dispose of the Group's entire interests in five wholly-owned subsidiaries, namely Unipearl Pacific Limited, Mobile City (Hong Kong) Limited ("Mobile City"), New Precision Limited ("New Precision"), Wireless City Limited and Uprun Limited, to Spirit Union International Limited, an independent third party, at a cash consideration of HK$20 million. Mobile City and New Precision were involved in retail sales of mobile phones and related accessories in Hong Kong, and the rest of the disposed subsidiaries were inactive.

	HK$'000
Net assets at the date of disposals were as follows:	
Property, plant and equipment	1,982
Deferred tax assets	1,305
Inventories	5,314
Trade receivables	658
Prepayments, deposits and other receivables	6,030
Pledged bank deposits	1,927
Cash and bank balances	2,486
Trade payables	(4,615)
Accruals and other payables	(2,381)
Non-controlling interests	(27)
	12,679
Gain on disposal of subsidiaries	7,321
Satisfied by cash	20,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	HK$'000
Cash consideration	20,000
Bank balances disposed of	(2,486)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	17,514

34. Notes to the consolidated statement of cash flows (continued)

(b) Major non-cash transactions

During the prior year, part of the sales proceeds from the disposal of the motor vehicles held under finance leases of approximately HK$908,000 were used to settle the finance lease payable with the equivalent amounts, and the Group had entered into certain finance lease arrangements in respect of motor vehicles with a total capital value at the inception of the contracts of approximately HK$533,000 for the year ended 31 December 2009.

During the year, certain of the Group's pledged freehold property, leasehold land and buildings were compulsorily foreclosed and disposed of by the related bank creditors. The aggregate consideration of approximately HK$93,677,000 were fully utilised to repay the related bank borrowings and bills payable.

35. Contingent liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2010 and 2009.

36. Operating lease commitments

(i) The Group leases certain of its office properties, staff quarters and office equipment under operating lease arrangements. Leases for properties and staff quarters, and office equipment are negotiated for terms ranging between 1 and 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:

	Land and buildings		Office equipment	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**620**	3,562	**–**	14
In the second to fifth years, inclusive	**29**	2,062	**–**	9
	649	5,624	**–**	23

(ii) At 31 December 2009, the Group had future aggregate minimum lease income receivable under non-cancellable operating leases of approximately HK$2,352,000 falling within one year and approximately HK$173,000 falling in the second to fifth years, inclusive.

37. Events after the reporting period

Subsequent to the end of the reporting period, there are certain updates on the Group's restructuring in progress and the Foreclosure of the Group's pledged investment property. Further details of which are stated in notes 2 and 19(d) to the financial statements respectively.

38. 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 which principally affect the results or financial position of the Group at the end of the reporting period.

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Croup		Principal activities
			2010	2009	
Direct subsidiary:					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding
Indirect subsidiaries:					
e-Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	**95%**	95%	Trading and distribution of mobile phones and related accessories
Exquisite Model Sdn. Bhd.	Malaysia	1,000,000 ordinary shares of RM1 each	**100%**	100%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P$1 each	**100%**	100%	Inactive
First Mobile Group Sdn. Bhd.	Malaysia	500,000 ordinary shares of RM1 each	**100%**	100%	Inactive
First Telecom International Limited	Hong Kong	50,000,000 ordinary shares of HK$1 each 3,019,944 non-voting deferred shares of HK$1 each	**100%**	100%	Inactive

38. Particulars of the principal subsidiaries (continued)

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Croup		Principal activities
			2010	2009	
Lets Do Mobile Philippines Inc.	Republic of the Philippines	85,000,000 shares of P$1 each	**100%**	100%	Inactive
Mobile Distribution (M) Sdn. Bhd.	Malaysia	200,000 ordinary shares of RM1 each	**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%	Trading and distribution of mobile phones and related accessories
Precision SARL	France	850 shares of 10 EUR each	**100%**	100%	Inactive
PT. Comworks Indonesia	Indonesia	330,000 shares of USD1 each	**100%**	100%	Trading and distribution of mobile phones and related accessories

39. Comparative figures

As further explained in note 3 to the financial statements, due to the adoption of certain revised HKFRSs during the current year, the presentation of certain items, balances and the related explanatory notes to the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative figures have been re-presented to conform with the current year's presentation.

40. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2011.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. The amounts for each year in the five-year financial summary have been adjusted for the effects of the discontinued operation during the current year.

Results

	For the years ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operation					
Revenue	**189,544**	3,106,161	7,115,314	7,769,094	7,620,417
Profit/(loss) before tax	**(158,081)**	(2,125,822)	81,265	124,898	101,181
Income tax	**(2,253)**	(10,855)	(29,260)	(26,044)	(38,896)
Profit/(loss) for the year from continuing operation	**(160,334)**	(2,136,677)	52,005	98,854	62,285
Discontinued operation					
Loss for the year from discontinued operation	**–**	(27,927)	(10,966)	(35,323)	(21,874)
Profit/(loss) for the year	**(160,334)**	(2,164,604)	(2,147,643)	16,682	76,980
Attributable to:					
Owners of the Company	**(158,823)**	(2,164,419)	40,953	63,543	40,715
Non-controlling interests	**(1,511)**	(185)	86	(12)	(304)
	(160,334)	(2,164,604)	41,039	63,531	40,411

Assets and liabilities

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**3,450**	60,129	95,946	103,063	84,206
Current assets	**50,911**	132,734	2,823,309	2,753,508	2,653,515
Current liabilities	**(1,402,198)**	(1,380,380)	(1,934,738)	(1,900,145)	(1,838,290)
Non-current liabilities	**(6,681)**	(6,974)	(11,251)	(9,077)	(24,473)
Net assets/(liabilities)	**(1,354,518)**	(1,194,491)	973,266	947,349	874,958
Attributable to:					
Owners of the Company	**(1,353,026)**	(1,194,491)	973,095	947,349	874,946
Non-controlling interests	**(1,492)**	–	171	–	12
Total equity	**(1,354,518)**	(1,194,491)	973,266	947,349	874,958