FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司

Stock code : 865

股票編號 : 865

Interim Report 2011

二零一一年中期業績報告

INTERIM FINANCIAL STATEMENTS

The directors (the "Directors") of First Mobile Group Holdings Limited (the "Company") announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 (the "Period") together with the unaudited comparative figures:

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	**For the six months ended 30 June 2011 HK$'000 (unaudited)**	2010 HK$'000 (unaudited)
Revenue	*4,5*	**29,289**	125,554
Cost of sales		**(25,100)**	(120,507)
Gross profit		**4,189**	5,047
Other income		**12,092**	6,079
Selling and distribution expenses		**(2,657)**	(5,708)
General and administrative expenses		**(12,410)**	(18,381)
Other operating expenses		**(16,168)**	(3,192)
Loss from operations		**(14,954)**	(16,155)
Finance costs	*6*	**(82,445)**	(86,864)
Loss before tax	*7*	**(97,399)**	(103,019)
Income tax	*8*	**–**	–
Loss for the period		**(97,399)**	(103,019)
Attributable to:			
Owners of the Company		**(97,399)**	(103,019)
Non-controlling interests		**–**	–
		(97,399)	(103,019)
Loss per share	*9*		
Basic and diluted			
(HK cents per share)		**(5.01)**	(5.29)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period	**(97,399)**	(103,019)
Other comprehensive (loss)/ income after tax:		
Exchange differences on translation of foreign operations	**(6,092)**	4,602
Total comprehensive loss for the period	**(103,491)**	(98,417)
Attributable to:		
Owners of the Company	**(103,491)**	(98,417)
Non-controlling interests	**–**	–
	(103,491)	(98,417)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**3,202**	3,450
Current assets			
Inventories		**4,275**	5,551
Trade receivables	12	**8,343**	12,089
Prepayments, deposits and other receivables		**15,836**	13,063
Current tax assets		**1,340**	3,448
Pledged bank deposits		**225**	240
Bank and cash balances		**4,034**	7,242
		34,053	41,633
Non-current asset held for sale		**–**	9,278
		34,053	50,911
Current liabilities			
Trade and bills payables	13	**571,647**	563,163
Accruals and other payables		**408,846**	328,862
Bank borrowings		**505,672**	507,665
Finance lease payables		**340**	396
Current tax liabilities		**2,142**	2,112
		1,488,647	1,402,198

Unaudited Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2011

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Net current liabilities	**(1,454,594)**	(1,351,287)
Total assets less current liabilities	**(1,451,392)**	(1,347,837)
Non-current liabilities		
Finance lease payables	**224**	334
Deferred tax liabilities	**6,393**	6,347
	6,617	6,681
NET LIABILITIES	**(1,458,009)**	(1,354,518)
Capital and reserves		
Share capital	**194,600**	194,600
Reserves	**(1,651,117)**	(1,547,626)
Equity attributable to owners of the Company	**(1,456,517)**	(1,353,026)
Non-controlling interests	**(1,492)**	(1,492)
TOTAL EQUITY	**(1,458,009)**	(1,354,518)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company								
	Share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2011	**194,600**	**127,539**	**3,982**	**22,057**	**7,597**	**(1,708,801)**	**(1,353,026)**	**(1,492)**	**(1,354,518)**
Total comprehensive loss for the period	-	-	-	(6,092)	-	(97,399)	(103,491)	-	(103,491)
Transfer upon forfeiture of share options	-	-	-	-	(7,597)	7,597	-	-	-
At 30 June 2011	**194,600**	**127,539**	**3,982**	**15,965**	**-**	**(1,798,603)**	**(1,456,517)**	**(1,492)**	**(1,458,009)**
At 1 January 2010	194,600	127,539	3,982	21,862	13,201	(1,555,675)	(1,194,491)	–	(1,194,491)
Total comprehensive income/ (loss) for the period	–	–	–	4,602	–	(103,019)	(98,417)	–	(98,417)
Share-based payments	–	–	–	–	92	–	92	–	92
At 30 June 2010	194,600	127,539	3,982	26,464	13,293	(1,658,694)	(1,292,816)	–	(1,292,816)

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(3,897)**	(27,436)
Net cash generated from investing activities	**9,129**	52,552
Net cash used in from financing activities	**(2,317)**	(20,712)
Net increase in cash and cash equivalents	**2,915**	4,404
Effect of foreign exchange rate changes	**(6,282)**	4,770
Cash and cash equivalents at beginning of period	**(62,863)**	(56,633)
Cash and cash equivalents at end of period	**(66,230)**	(47,459)
Analysis of cash and cash equivalents		
Bank and cash balances	**4,034**	7,647
Bank overdrafts	**(70,264)**	(55,106)
	(66,230)	(47,459)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

1. General Information

First Mobile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, KY1-1106, Grand Cayman, Cayman. The address of its principal place of business is 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 and its subsidiaries (collectively the "Group") is principally engaged in the trading and distribution of mobile phones and related accessories.

2. Basis of preparation and accounting policies

The Group incurred a loss attributable to owners of the Company of approximately HK$97,399,000 for the six months ended 30 June 2011 (2010: HK$103,019,000) and as at 30 June 2011 the Group had net current liabilities of approximately HK$1,454,594,000 (31 December 2010: HK$1,351,287,000) and net liabilities of approximately HK$1,458,009,000 (31 December 2010: HK$1,354,518,000) respectively.

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

2. Basis of preparation and accounting policies *(continued)*

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

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

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

In the opinion of the Directors, the unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared on a going concern basis, as the Company is preparing the resumption proposal, the successful implementation of which involves the Creditor Schemes and the Subscription Agreement to settle with the Creditors and allow the trading in the shares of the Company to resume.

2. Basis of preparation and accounting policies *(continued)*

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

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

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

4. Revenue

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities, gross rental income received and receivables, and repair service income for the six months ended 30 June. Revenue is shown net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. An analysis of the Group's revenue is as follows:

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Turnover from sales of mobile phones and related accessories, net	**29,079**	124,270
Other revenue:		
Rental income	**48**	1,263
Repair service income	**–**	21
Sundry income	**162**	–
	29,289	125,554

5. Segment information

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

Information about reportable segment profit or loss and segment assets:

	Trading and distribution of mobile phones and related accessories	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Six months ended 30 June:		
Revenue from external customers	**29,289**	125,554
Segment loss	**14,960**	16,170
Interest income	**6**	15
Interest expenses	**82,445**	86,864
Depreciation	**649**	1,711
Other material non-cash items:		
Reversal of impairment of trade receivables	**–**	4,491
Impairment of trade receivables	**1,387**	–
Impairment of inventories	**–**	1,358
Impairment of prepayments, deposits and other receivables	**3,277**	–

5. Segment information *(continued)*

	2011	2010
	HK$'000	HK$'000
	(unaudited)	(audited)
At 30 June 2011/ 31 December 2010:		
Segment assets	**35,915**	50,913

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Total loss of reportable segment	**(14,960)**	(16,170)
Corporate and unallocated loss	**(82,439)**	(86,849)
Consolidated loss before tax	**(97,399)**	(103,019)

6. Finance costs

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest expenses on:		
– bank borrowings	**29,800**	31,940
– finance lease	**35**	70
– trade payables	**52,610**	54,854
	82,445	86,864

7. Loss before tax

The Group's loss before tax for the Period is arrived at after charging the amounts as set out below.

	For the six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories sold	**25,100**	120,507
Gains on disposal of property, plant and equipment	**10,468**	4,606
Impairment of trade receivables	**1,387**	–
Impairment of prepayments, deposits and other receivables	**3,277**	–
Depreciation	**649**	1,711
Net exchange losses	**11,494**	2,237

8. Income tax

No provision for profits tax has been made as the Group did not generate any assessable profit for each of the six months ended 30 June 2011 and 2010.

9. Loss per share

Basic loss per share

The calculation of basic loss per share is based on the loss for the Period attributable to owners of the Company of approximately HK$97,399,000 (2010: HK$103,019,000) and the weighted average number of 1,945,996,565 (2010: 1,945,996,565) ordinary shares in issue during the Period.

Diluted loss per share

No diluted loss per share is presented as there were no dilutive ordinary shares outstanding for the two periods ended 30 June 2011 and 2010.

10. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: None).

11. Property, plant and equipment and investment property

	2011	2010	
	Property, plant and equipment	Property, plant and equipment	Investment property
	HK$'000	HK$'000	HK$'000
Carrying amounts at 1 January (audited)	**3,450**	51,590	8,539
Exchange differences	**41**	808	488
Additions	**561**	116	–
Depreciation	**(649)**	(1,617)	(94)
Disposals	**(201)**	(27,553)	–
Carrying amounts at 30 June (unaudited)	**3,202**	23,344	8,933

12. Trade receivables

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

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

	30 June 2011	31 December 2010
	HK$'000	HK$'000
	(unaudited)	(audited)
1-30 days	**1,928**	8,050
31-60 days	**2,981**	2,339
61-90 days	**490**	–
91-120 days	**1,235**	1,969
Over 120 days	**1,242,108**	1,239,384
Less: Impairments	**(1,240,399)**	(1,239,653)
	8,343	12,089

13. Trade and bills payables

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Trade payables	**460,270**	448,372
Bills payables	**111,377**	114,791
	571,647	563,163

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

	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
1-30 days	**14,346**	9,186
31-60 days	**–**	4
61-90 days	**2**	118
91-120 days	**246**	8,690
Over 120 days	**445,676**	430,374
	460,270	448,372

14. Events after the reporting period

As disclosed in the Company's announcement dated 14 July 2011 (the "Announcement"), on 7 July 2011,

(a) Time Boomer Limited (the "Lender"), a party nominated by Jinwu Limited (the "Investor") to provide part of the HK$50 million stand-by working capital facility pursuant to the terms of the Exclusivity Agreement, entered into a Loan Agreement with MDL, a subsidiary of the Company, pursuant to which (i) the Lender has agreed to grant a working capital facility of HK$13 million to MDL (the "Facility"); and (ii) the Company has agreed to issue the Option Shares to the Lender, subject to the terms and conditions of the Option Deed entered into between the Company and the Lender dated 7 July 2011. The Facility is secured by (i) the FMG Share Charge over a total of 68.5% of the entire issued shares of the Company held by the Major Shareholders; (ii) the Personal Guarantees given by Mr. Ng Kok Hong and Ms. Tan Sook Kiang; (iii) the share charges over the entire issued share capital of MDL; and (iv) the Fixed and Floating Charge over the assets of MDL. The FMG Share Charge, the Personal Guarantees and the Fixed and Floating Charge will continue to be in force and, subject to the terms and conditions as further described in the Announcement.

(b) The Company and the Investor entered into a fourth side letter to the Subscription Agreement, pursuant to which both parties agreed to further extend the Long Stop Date for a period of 4 months from 30 June 2011 to 31 October 2011.

(c) Deloitte Touche Tohmatsu issued a notice informing all relevant parties participating in the Standstill Agreement that the long stop date under the Standstill Agreement has been further extended for a period of 4 months from 30 June 2011 to 31 October 2011.

Details of the above are further described in the Announcement. Capitalised terms used in this note have the same meaning(s) as in the Announcement.

15. Approval of the Interim Financial Statements

These Interim Financial Statements were approved and authorised for issue by the board of Directors on 31 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2011, the Group continued to focus mainly on the trading and distribution of its house-brand mobile phones.

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

The Group had invested in a comprehensive and long-term brand-building advertising and marketing campaign since May 2011, aimed at enhancing and promoting greater market visibility and recognition for the Group's brand in Indonesia. The campaign is spearheaded by the appointment of a high-profile and popular award-winning actress as the Group's brand ambassador. The campaign includes prime-time television advertisements on the three main TV stations, advertisements in major newspapers, magazines and other print media, outdoor billboard advertising at prime locations and various other strategies.

Financial Review

The Group recorded a turnover of approximately HK$29 million for the first half of financial year 2011 ("FY2011"), representing a decrease of 76.6% over the corresponding period in 2010. The decrease in turnover is mainly attributed to the streamlining of the Group's operations which included the Group's withdrawal from the Vietnam and India markets.

Gross profit had improved from approximately 4.0% in the corresponding period to approximately 14.3% in the first half of FY2011 due to the focused shift in product mix towards more profitable models.

The Group's general and administrative expenses comprise mainly the employees' remuneration cost, rental of office premises and professional fees in connection with the Group's ongoing restructuring exercise.

The loss attributable to owners of the Company was approximately HK$97 million for the first half of FY2011, representing loss per share of HK5.01 cents as compared to a loss of approximately HK$103 million for the corresponding period in 2010, representing loss per share of HK5.29 cents.

Finance cost decreased by approximately HK$4 million compared to the previous corresponding period mainly due to a reduction in the principal outstanding on bank borrowings resulting from the sale and subsequent offset of properties pledged to certain banks as collateral, as well as a reduction in the applicable interest rate charged by certain trade creditor.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

As at 30 June 2011, bank and cash balances of the Group were approximately HK$4 million (as at 31 December 2010: HK$7 million), of which approximately HK$0.225 million (as at 31 December 2010: HK$0.24 million) were pledged for general banking facilities of the Group.

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2011 was 1,358% (as at 31 December 2010: 935%).

As at 30 June 2011, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2010: 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).

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2011.

Employees

As at 30 June 2011, the Group had 72 (as at 31 December 2010: 145) employees. The total of employee remuneration, including that of the Directors, for the six months ended 30 June 2011 amounted to approximately HK$4.8 million (six months ended 30 June 2010: HK$9 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Future Plans and Prospects

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. 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, is actively working on a revised resumption proposal which will be submitted to the Stock Exchange at least 10 business days before 25 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

SHARE OPTION SCHEME

Particulars of the Company's share option scheme during the Period are as follows:

Category of participant	At 1 January 2011	Forfeited/ lapsed during the period	At 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options
Employees in aggregate:	16,500,000	(16,500,000)	–	11 July 2007	11 July 2007 to 10 January 2011	HK$0.265
	58,600,000	(58,600,000)	–	11 July 2007	11 October 2007 to 10 January 2011	HK$0.265
	2,600,000	(2,600,000)	–	11 July 2007	11 November 2007 to 10 January 2011	HK$0.265
	77,700,000	(77,700,000)	–			

Note: As at 30 June 2011, there were no outstanding options following the expiry of the exercise period on 10 January 2011.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2011, 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

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

Notes:

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

(ii) These Shares are held by NKT Holdings Sdn. Bhd., a company incorporated in Malaysia, which is owned as to 50% by Mr. Ng Kok Tai and as to 50% by Ms. Siew Ai Lian, the spouse of Mr. Ng Kok Tai. Mr. Ng Kok Tai is deemed by virtue of the SFO to be interested in these Shares.

SHARES IN AN ASSOCIATED CORPORATION

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

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

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

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").

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

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" above, as at 30 June 2011, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' SECURITIES TRANSACTIONS *(continued)*

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the Period. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subjected to similar compliance.

AUDIT COMMITTEE

The primary duties of the Audit Committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the external auditors.

The unaudited financial results and statements of the Company for the six months ended 30 June 2011 have not been reviewed by external auditors or by the Audit Committee as there was no independent non-executive Directors (the "INED") to constitute the Audit Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in Appendix 14 of the Listing Rules – Code on Corporate Governance Practices (the "CG Code") during the six months ended 30 June 2011 in the CG Code except for those in relation to the vacancy of the 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.

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

Hong Kong, 31 August 2011

As at the date of these interim financial statements, the board of directors of the Company comprises three executive directors, namely Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang.