FIRST MOBILE GROUP

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 2011
二零一一年年報

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Corporate Information

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 472, 2ND FLOOR, HARBOUR PLACE,
103 SOUTH CHURCH STREET, GEORGE TOWN,
KY1-1106, GRAND CAYMAN, CAYMAN

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

Chairman's Statement

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 2011 ("FY2011").

The Group recorded a total revenue of HK$59 million for FY2011, representing a decrease of 69% from the previous financial year. Overall gross profit margin increased from 1.2% to 7.2% in FY2011. The loss attributable to owners of the Company was HK$172 million for FY2011.

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, 14 February 2011, 6 May 2011, 14 July 2011 and 14 February 2012.

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.

The scheme of arrangement proposed to be made between the Company and the Creditors pursuant to section 86 of the Companies Law of the Cayman Islands (the "Cayman Scheme") was sanctioned by the Grand Court on 28 April 2011. 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.

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.

Chairman's Statement

In this regard, the Company had on 1 April 2011 submitted a resumption proposal to the Stock Exchange to seek their approval for the resumption of trading in the shares of the Company. On 26 May 2011, the Company was informed by the Stock Exchange that this resumption proposal has not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules, and that the Company has been placed in the second stage of delisting procedures pursuant to PN17 to the Listing Rules. Further, the Company was requested to submit a viable resumption proposal on or before 10 November 2011 for the Stock Exchange's consideration.

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

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 as well as mainstream branded mobile phone trading business.

The Group has for the past year, invested substantially in brand-building and marketing campaigns for its house brand. The Group's investment in this exercise has yielded significant and visible results. FORSEL, a market-leading mobile phone magazine in Indonesia, had awarded the Group's brand as one of the top 10 local brands in Indonesia in its Local Brand Awards 2011. Accordingly, the Group will continue to exploit its existing distribution network and leverage on the brand recognition developed in 2011 by moving up the value chain to enter the fast emerging tablet market in Indonesia where it will engage in the distribution of its house brand tablets.

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, 30 March 2012

Management Discussion and Analysis

BUSINESS REVIEW

During the financial year under review, the Group continued to focus mainly on the trading and distribution of its house-brand mobile phones as well as reactivating its mainstream branded mobile phones trading business.

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. The Group's brand was recently recognised as one of the top 10 local brands in Indonesia in FORSEL magazine's Local Brand Awards 2011.

FINANCIAL REVIEW

OVERVIEW

The Group recorded a turnover from sales of mobile phones and related accessories of approximately HK$59 million in the financial year ended 31 December 2011 ("FY2011"), representing a decrease of 68.3% over the previous financial year ended 31 December 2010 ("FY2010")'s turnover of HK$186 million. The decrease in turnover is mainly attributed to the streamlining of the Group's operations in Indonesia and the Group's withdrawal from the Vietnam and India markets.

Gross profit had improved from approximately 1.2% in FY2010 to approximately 7.2% in FY2011 due to the focused shift in product mix towards more profitable models.

The Group's selling and distribution expenses in FY2011 included expenditures relating to the Group's brand-building and marketing campaigns in Indonesia.

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.

Finance cost decreased by approximately HK$6 million compared to FY2010 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 creditors.

The loss attributable to owners of the Company was approximately HK$172 million for FY2011, representing loss per share of HK8.82 cents as compared to a loss of approximately HK$159 million for FY2010, representing loss per share of HK8.16 cents.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, bank and cash balances of the Group were approximately HK$1.12 million (2010: HK$7.48 million), of which approximately HK$0.21 million (2010: HK$0.24 million) were pledged for general banking facilities.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2011 was 3,077% (2010: 935%).

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

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 2011 and 2010.

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at 31 December 2011 and 2010.

EMPLOYEES

As at 31 December 2011, the Group had 88 (2010: 145) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2011 amounted to approximately HK$9.55 million (2010: HK$16 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

STRATEGIES FOR 2012

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 as well as mainstream branded mobile phone trading business.

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.

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. NG Kok Hong, aged 48, 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 51, 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 44, 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

Mr. MAH Kwong Chee Dyland, aged 44, 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 21 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 44, Senior Vice President (Hong Kong Operation) of the Group. 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.

Directors' Report

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 2011.

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 40 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 20. The Directors do not recommend the payment of any dividend for the year ended 31 December 2011.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 34(B) to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$95,400.

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

Details of the movements in property, plant and equipment 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 33 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 86. This summary does not form part of the audited financial statements.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, 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 Hong shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

There is 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 2011, the executive Directors are not entitled to any discretionary bonus for the year ended 31 December 2011 (2010: 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 Share Option Scheme of the Company are set out in note 35 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 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

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

Notes:

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

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

SHARES IN AN ASSOCIATED CORPORATION

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

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

Save as disclosed above, as at 31 December 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 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

JINWU LIMITED

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

TIME BOOMER LIMITED

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

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

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

The Lender is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Tai Kai Hing ("Mr. Tai"). To the best of the knowledge of the Directors, Mr. Tai is an experienced investor. The said issue and allotment of the option shares have not been completed as at the date of this report, but the Lender is deemed to be interested in such 74,285,714 option shares of the Company.

FIRST APEX INVESTMENTS LIMITED

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

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

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

First Apex is a limited liability company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Ben Sharma. Mr. Ben Sharma is a businessman involved in the distribution of major-brand mobile phones and accessories and has over 30 years of experience in this industry. The said issue and allotment of the CPS have not been completed as at the date of this report, but First Apex is deemed to be interested in such 114,285,714 CPS shares of the Company, to be issued upon the exercise of the conversion rights attached to the CPS in full.

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares" above, as at 31 December 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.

Directors' Report

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	21%
— five largest customers combined	59%
Purchases	
— the largest supplier	74%
— five largest suppliers combined	87%

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 14 to 17.

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, 30 March 2012

Corporate Governance Report

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 2011 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 2011. 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 2011 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.

Corporate Governance Report

The Board meets regularly at least four times a year and additional meetings are convened as and when the Board considers necessary. In 2011, six 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)*	5/6
Mr. Ng Kok Tai *(Executive Deputy Chairman)*	4/6
Mr. Ng Kok Yang *(Chief Executive Officer)*	4/6

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 2011 have not been reviewed by the Audit Committee as there were no INEDs to constitute the Audit Committee.

Corporate Governance Report

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 2011.

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.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year ended 31 December 2011, the professional fees paid or payable to the Company's independent auditor, ANDA CPA Limited, in respect of annual audit services and non-audit services amounted to HK$700,000 and HK$210,000 respectively.

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.

Independent Auditor's Report

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 20 to 85, which comprise the consolidated and Company statements of financial position as at 31 December 2011, 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 possible effects on the corresponding figures 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. CORRESPONDING FIGURES

We were initially appointed as auditor of the Company during the year 2010. In consequence we were unable to carry out satisfactory auditing procedures or by other alternative means to obtain assurance regarding the existence, quantities and conditions of inventories at the beginning of last financial year. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening accumulated losses of the Group might be necessary for the financial year ended 31 December 2010. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

2. 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 the Company has been pursuing a group restructuring. 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 possible effects on the corresponding figures 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, 30 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	8	**58,602**	189,544
Cost of sales		**(54,387)**	(187,313)
Gross profit		**4,215**	2,231
Other income	9	**23,962**	57,708
Selling and distribution expenses		**(10,080)**	(10,090)
General and administrative expenses		**(25,223)**	(34,124)
Other operating expenses		**(8,014)**	(4,028)
Provision for financial guarantee liabilities relating to the borrowings of a deconsolidated subsidiary	30	**(27,797)**	—
Gain on deconsolidation of a liquidating subsidiary	10	**29,107**	—
(Loss)/profit from operations		**(13,830)**	11,697
Finance costs	11	**(164,182)**	(169,778)
Loss before tax		**(178,012)**	(158,081)
Income tax	12	**6,255**	(2,253)
Loss for the year	13	**(171,757)**	(160,334)
Attributable to:			
Owners of the Company	14	**(171,719)**	(158,823)
Non-controlling interests		**(38)**	(1,511)
		(171,757)	(160,334)
Loss per share			
— Basic (HK cents per share)	17	**(8.82)**	(8.16)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(171,757)**	(160,334)
Other comprehensive income/(loss):		
Exchange differences reclassified to profit or loss upon deconsolidation of a liquidating subsidiary	**(1,821)**	—
Exchange differences on translation of foreign operations	**4,640**	214
	2,819	214
Total comprehensive loss for the year	**(168,938)**	(160,120)
Attributable to:		
Owners of the Company	**(168,901)**	(158,628)
Non-controlling interests	**(37)**	(1,492)
	(168,938)	(160,120)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	18	**1,132**	3,450
Current assets			
Inventories	22	**1,843**	5,551
Trade receivables	23	**3,151**	12,089
Prepayments, deposits and other receivables	24	**9,682**	13,063
Current tax assets		**—**	3,448
Pledged bank deposits	25	**213**	240
Cash and bank balances	25	**903**	7,242
		15,792	41,633
Non-current asset held for sale	19	**—**	9,278
		15,792	50,911
Current liabilities			
Trade and bills payables	26	**543,590**	563,163
Accruals and other payables	27	**473,265**	328,862
Bank borrowings	28	**480,040**	507,665
Finance lease payables	29	**231**	396
Current tax liabilities		**2,069**	2,112
Financial guarantee liabilities	30	**27,797**	—
Convertible loan	31	**12,561**	—
		1,539,553	1,402,198
Net current liabilities		**(1,523,761)**	(1,351,287)
Total assets less current liabilities		**(1,522,629)**	(1,347,837)
Non-current liabilities			
Finance lease payables	29	**49**	334
Deferred tax liabilities	32	**—**	6,347
		49	6,681
NET LIABILITIES		**(1,522,678)**	(1,354,518)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	33	**194,600**	194,600
Reserves	34	**(1,715,749)**	(1,547,626)
Equity attributable to owners of the Company		**(1,521,149)**	(1,353,026)
Non-controlling interests		**(1,529)**	(1,492)
TOTAL EQUITY		**(1,522,678)**	(1,354,518)

Approved by the Board of Directors on 30 March 2012

Ng Kok Hong
Director

Ng Kok Tai
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Current assets			
Other receivable		**257**	261
Bank and cash balances		**25**	32
		282	293
Current liabilities			
Accruals and other payables		**6,308**	4,392
Amount due to a subsidiary	20	**1,586**	—
Financial guarantee liabilities	30	**1,054,022**	962,184
		1,061,916	966,576
NET LIABILITIES		**(1,061,634)**	(966,283)
Capital and reserves			
Share capital	33	**194,600**	194,600
Reserves	34	**(1,256,234)**	(1,160,883)
TOTAL EQUITY		**(1,061,634)**	(966,283)

Approved by the Board of Directors on 30 March 2012

Ng Kok Hong
Director

Ng Kok Tai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 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 year	—	—	—	195	—	(158,823)	(158,628)	(1,492)	(160,120)
Share-based payments	—	—	—	—	93	—	93	—	93
Transfer upon lapse of share options	—	—	—	—	(5,697)	5,697	—	—	—
At 31 December 2010 and 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 income/(loss) for the year	**—**	**—**	**—**	**2,818**	**—**	**(171,719)**	**(168,901)**	**(37)**	**(168,938)**
Equity component of convertible loan	**—**	**—**	**—**	**—**	**778**	**—**	**778**	**—**	**778**
Transfer upon lapse of share options	**—**	**—**	**—**	**—**	**(7,597)**	**7,597**	**—**	**—**	**—**
At 31 December 2011	**194,600**	**127,539**	**3,982**	**24,875**	**778**	**(1,872,923)**	**(1,521,149)**	**(1,529)**	**(1,522,678)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Loss before tax:		**(178,012)**	(158,081)
Adjustments for:			
Interest income		**(12)**	(35)
Finance costs		**164,182**	169,778
Share-based payments		**—**	93
Depreciation of property, plant and equipment		**1,116**	2,571
Depreciation of investment property		**—**	194
Gains on disposals of property, plant and equipment		**(555)**	(47,423)
Gain on disposal of non-current asset held for sale		**(10,255)**	—
Property, plant and equipment written off		**725**	—
Inventories written off		**—**	6,390
Reversal of impairment on inventories		**(877)**	(4,422)
Impairment on trade receivables		**4,377**	—
Reversal of impairment on trade receivables		**—**	(5,360)
Impairment on prepayments, deposits and other receivables		**5,670**	—
Reversal of impairment on other receivables		**—**	(3,307)
Provision for financial guarantee liabilities	30	**27,797**	—
Gain on deconsolidation of a liquidating subsidiary	10	**(29,107)**	—
Operating loss before working capital changes		**(14,951)**	(39,602)
Decrease in inventories		**4,585**	6,739
Decrease in trade receivables		**4,561**	10,153
(Increase)/decrease in prepayments, deposits and other receivables		**(2,019)**	14,382
Decrease in trade and bills payables		**(13,393)**	(22,605)
(Decrease)/increase in accruals and other payables		**(6,263)**	30,828
Cash used in operations		**(27,480)**	(105)
Hong Kong profits tax paid		**—**	(84)
Hong Kong profits tax refunded		**163**	792
Overseas tax paid		**(110)**	(566)
Overseas tax refunded		**2,224**	12,396
Interest received		**12**	35
Interest paid		**(496)**	(19,189)
Net cash used in operating activities		**(25,687)**	(6,721)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(680)**	(199)
Proceeds from disposals of property, plant and equipment		**1,702**	17,788
Net cash inflows from deconsolidation of a liquidating subsidiary	10	**26,551**	—
Decrease in pledged bank deposits		**27**	42,686
Net cash generated from investing activities		**27,600**	60,275

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Cash flows from financing activities		
Repayment of bank borrowings	**(863)**	(56,691)
Repayment of finance lease payable	**(450)**	(913)
Proceed from issue of convertible loan	**13,000**	—
Net cash generated from/(used in) financing activities	**11,687**	(57,604)
Net increase/(decrease) in cash and cash equivalents	**13,600**	(4,050)
Effect of changes in foreign exchange rates	**4,469**	(2,180)
Cash and cash equivalents at beginning of year	**(62,863)**	(56,633)
Cash and cash equivalents at end of year	**(44,794)**	(62,863)
Analysis of cash and cash equivalents		
Bank and cash balances	**903**	7,242
Bank overdrafts, secured	**(45,697)**	(70,105)
	(44,794)	(62,863)

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

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

2. BASIS OF PREPARATION (Continued)

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.

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, 31 March 2011, 7 July 2011, 2 November 2011 and 30 March 2012, together with the related side letters to the Subscription Agreement entered into between the Investor and the Company, Deloitte issued further notices informing all relevant parties participating in the Standstill Agreement that the long stop date under the Standstill Agreement has been extended to 30 September 2012.

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 the updates on the Proposed Restructuring are further described in the announcements of the Company on 16 September 2010, 30 September 2010, 24 December 2010, 14 February 2011, 6 May 2011, 14 July 2011 and 14 February 2012 (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.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (THE "PROPOSED RESTRUCTURING") (Continued)

(a) Capital Reorganisation

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

(b) Creditor Schemes

Pursuant to the proposed Creditor Schemes, upon 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 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 made between the Company and the Creditors were unanimously approved by the Creditors attending and voting at such meeting in person or by proxy.

On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court. 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.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (THE "PROPOSED RESTRUCTURING") (Continued)

(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 SPV newly incorporated; 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

After the Group Reorganisation, the Company will allot and issue to the Investor and the Investor will subscribe for 925,714,285 Subscription Shares of HK$0.005 each at a Subscription Price of approximately HK$0.175 per Subscription Share, resulting in the 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$171,719,000 (2010: HK$158,823,000) for the year ended 31 December 2011 and as at that date, the Group had net current liabilities of approximately HK$1,523,761,000 (2010: HK$1,351,287,000) and net liabilities of approximately HK$1,522,678,000 (2010: HK$1,354,518,000) respectively.

The condition above indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address the issues above, the 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 Investor to explore the possibility of injecting new funds into the Group through the Proposed Restructuring.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (THE "PROPOSED RESTRUCTURING") (Continued)

Going concern basis (Continued)

The consolidated financial statements have been prepared on a going concern basis, as the Company is preparing the Resumption Proposal, the successful implementation of which will effect 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 will be successfully implemented.

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year.

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. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONSOLIDATION (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSOCIATES (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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.

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 first-in-first-out 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

CONVERTIBLE LOANS

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

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

TRADE AND OTHER PAYABLES

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

EQUITY INSTRUMENTS

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

EMPLOYEE BENEFITS (Continued)

(c) Pension obligations

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

The Group's subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$20,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BORROWING COSTS

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

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

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

TAXATION

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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

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

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

   (ii) has significant influence over the Group; or

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES (Continued)

(b) (Continued)

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

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

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

SEGMENT REPORTING

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

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

IMPAIRMENT OF ASSETS

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

Recoverable amount is the higher of fair value less costs 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF ASSETS (Continued)

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

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

PROVISIONS AND CONTINGENT LIABILITIES

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

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

EVENTS AFTER THE REPORTING PERIOD

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

Notes to the Financial Statements

For the year ended 31 December 2011

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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(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.

(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, borrowings and financial guarantee liabilities. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), 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"), Malaysia Ringgit ("RM"), Indonesia Rupiah ("IDR") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

At 31 December 2011, if HK$ had weakened or strengthened by 5% (2010: 5%) against RM, with all other variables held constant, loss before tax for the year would have been approximately HK$7,424,000 (2010: HK$3,130,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of HK$-denominated trade receivables, bank and cash balances, trade payables and bills payables in relation to the operation in Malaysia.

At 31 December 2011, if HK$ had weakened or strengthened by 5% (2010: 5%) against IDR , with all other variables held constant, loss before tax for the year would have been approximately HK$284,000 (2010: HK$447,000 lower or higher, mainly as a result of foreign exchange gains or losses on translation of IDR-denominated trade receivables, trade payables and bank borrowings in relation to the operation in Indonesia.

At 31 December 2011, if HK$ had weakened or strengthened by 5% (2010: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK$3,232,000 (2010: HK$597,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade receivables, trade payables and bank borrowings in relation to the operation in Hong Kong.

6. FINANCIAL RISK MANAGEMENT (Continued)

(A) MARKET RISK (Continued)

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 (2010: 50) basis points and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK$1,336,000 (2010: HK$3,115,000) 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 12% (2010: 24%) and approximately 44% (2010: 94%) 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(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 2011 and 2010 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 loss for the years ended 31 December 2011 and 2010 were mainly derived from its only 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 interest income, finance costs, share of results of an associate, income tax and unallocated income and expenses. 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 assets. Segment liabilities comprise operating liabilities and exclude items such as borrowings, lease payables, tax payables, financial guarantee liabilities and convertible loans. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

7. SEGMENT INFORMATION (Continued)

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

	2011 HK$'000	2010 HK$'000
Year ended 31 December:		
Revenue from external customers	58,602	189,544
Segment (loss)/profit	(13,842)	11,662
Interest income	12	35
Interest expense	164,182	169,778
Depreciation	1,116	2,571
Income tax	(6,255)	2,253
Other material non-cash items:		
Inventories written off	—	6,390
Reversal of impairment on inventories	(877)	(4,422)
Reversal of impairments on trade receivables	—	(5,360)
Reversal of impairments on other receivables	—	(3,307)
Impairment on trade receivables	4,377	—
Impairment on prepayments, deposits and other receivables	5,670	—
Gain on disposal of non-current asset held for sale	(10,255)	—
Gain on disposal of property, plant and equipment	(555)	(47,423)
Additions to segment non-current assets	680	199
At 31 December:		
Segment assets	16,924	50,913
Segment liabilities	1,016,855	892,025

7. SEGMENT INFORMATION (Continued)

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

	2011	2010
	HK$'000	HK$'000
Profit or loss:		
Total profit or loss of reportable segments	**(13,842)**	11,662
Unallocated profit or loss:		
Finance cost	**(164,182)**	(169,778)
Income tax	**6,255**	(2,253)
Interest income	**12**	35
Consolidated loss for the year	**(171,757)**	(160,334)
Assets:		
Total assets of reportable segments	**16,924**	50,913
Unallocated assets	**—**	3,448
Consolidated total assets	**16,924**	54,361
Liabilities:		
Total liabilities of reportable segments	**1,016,855**	892,025
Unallocated liabilities		
Bank borrowings	**480,040**	507,665
Finance lease payables	**280**	730
Current tax liabilities	**2,069**	2,112
Financial guarantee liabilities	**27,797**	—
Convertible loan	**12,561**	—
Deferred tax liabilities	**—**	6,347
Consolidated total liabilities	**1,539,602**	1,408,879

7. SEGMENT INFORMATION (Continued)

Geographical information:

	Revenue		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**1,754**	102	**191**	1,025
Malaysia	**879**	9,585	**84**	721
Indonesia	**55,216**	140,011	**857**	860
Vietnam	**117**	24,958	**—**	341
India	**636**	14,888	**—**	68
Philippines	**—**	—	**—**	435
	58,602	189,544	**1,132**	3,450

Revenue for the year from two customers of the Group represents approximately HK$12,034,000 and HK$10,746,000 of the Group's total revenue respectively. Revenue for last year from a customer of the Group represented approximately HK$108,685,000 of the Group's total revenue for last year.

In presenting the geographical information, revenue is based on the location of the customers.

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:

	2011 HK$'000	2010 HK$'000
Turnover from sales of mobile phones and related accessories, net	**58,555**	185,779
Other revenue:		
Rental income	**47**	2,064
Sundry income	**—**	1,701
Total revenue	**58,602**	189,544

9. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Compensation from insurance claim	**870**	266
Interest income	**12**	35
Exchange gains, net	**10,200**	—
Gain on disposal of property, plant and equipment	**555**	47,423
Gain on disposal of non-current asset held for sale	**10,255**	—
Reversal of impairment on trade receivables	**—**	5,360
Reversal of impairment on other receivables	**—**	3,307
Sundry income	**2,070**	1,317
	23,962	57,708

10. GAIN ON DECONSOLIDATION OF A LIQUIDATING SUBSIDIARY

As detailed in the Company's announcement dated 16 December 2011, a winding-up order was issued by the High Court of Malaya, Kuala Lumpur on 6 December 2011 ordering among other things that Exquisite Model Sdn. Bhd. ("EM"), an indirect wholly-owned subsidiary of the Company, be wound up and that the Official Receiver of Malaysia be appointed as liquidator of EM. The Directors considered that the control over EM has been lost since then. The results, assets and liabilities, and cash flows of EM were deconsolidated from the Group's consolidated financial statements with effect from 6 December 2011.

	HK$'000
Net liabilities of the subsidiary deconsolidated:	
Prepayment, deposits and other receivables	158
Current tax assets	640
Cash and bank balances	90
Accruals and other payables	(377)
Amount due to the Group	(56,355)
Bank overdrafts	(26,641)
Bank borrowings	(1,156)
Net liabilities of the deconsolidated subsidiary	(83,641)
Impairment of amount due from the deconsolidated subsidiary	56,355
Release of the related foreign currency translation reserves	(1,821)
Gain on deconsolidation of a liquidating subsidiary	(29,107)

10. GAIN ON DECONSOLIDATION OF A LIQUIDATING SUBSIDIARY (Continued)

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

	HK$'000
Cash and cash equivalent deconsolidated:	
Cash and bank balances	(90)
Bank overdrafts	26,641
	26,551

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest expenses on borrowings and payables wholly repayable within five years		
— bank borrowings	**58,602**	61,146
— finance leases	**55**	112
— convertible loan	**835**	—
— trade payables	**104,690**	108,520
	164,182	169,778

12. INCOME TAX

	2011 HK$'000	2010 HK$'000
Current tax — Hong Kong Profits Tax	**37**	—
Current tax — Overseas:		
Provision for the year	**—**	545
Under provision in prior years	**—**	1,727
Deferred tax (note 32)	**(6,292)**	(19)
	(6,255)	2,253

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year. No provision for overseas tax is required since the Group has no assessable profit for the year. Tax on overseas profits for prior year had been calculated on the estimated assessable profits for that year at the rates of tax prevailing in the countries in which the Group operates.

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

	2011 HK$'000	2010 HK$'000
Loss before tax:	**(178,012)**	(158,081)
Calculated at a domestic tax rate of 16.5% (2010: 16.5%)	**(29,372)**	(26,083)
Effect of different tax rates in other countries	**113**	7,075
Income not subject to tax	**(8,262)**	(9,942)
Expenses not deductible for tax purpose	**26,762**	20,809
Reversal of temporary difference	**(6,292)**	—
Under provision of tax in prior years	**—**	1,727
Effect on opening deferred tax assets due to change in tax rate	**—**	(907)
Tax losses not recognised	**10,796**	9,574
	(6,255)	2,253

13. LOSS FOR THE YEAR

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	**54,387**	187,313
Auditors' remuneration:		
— provision for the year	**744**	1,693
— over provision in prior years	**—**	(1,061)
Depreciation:		
— property, plant and equipment	**1,116**	2,571
— investment property	**—**	194
Direct operating expenses arising from investment property that generate rental income	**—**	233
Operating leases:		
— land and buildings	**1,292**	2,620
— office equipment	**56**	227
Property, plant and equipment written off*	**725**	—
Inventories written off (included in cost of inventories sold)	**—**	6,390
Impairment on trade receivables**	**4,377**	—
Impairment on prepayments, deposits and other receivables*	**5,670**	—
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	**9,182**	15,023
— equity-settled share-based payments	**—**	93
— retirement benefits scheme contributions	**368**	680
	9,550	15,796
Exchange losses/(gains)*	**(10,200)**	1,404
Gains on disposals of property, plant and equipment*	**(555)**	(47,423)
Gain on disposal of non-current asset held for sale*	**(10,255)**	—
Reversal of impairment on inventories# (included in cost of inventories sold)	**(877)**	(4,422)
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 loss of approximately HK$95,351,000 (2010: a profit of approximately HK$85,522,000).

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each Director for the year ended 31 December 2011 is set out below:

	Salary HK$'000	**Retirement benefit costs HK$'000**	**Total HK$'000**
Executive Director:			
Ng Kok Hong	**236**	**7**	**243**
Ng Kok Tai	**987**	**119**	**1,106**
Ng Kok Yang	**—**	**3**	**3**
	1,223	**129**	**1,352**

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, Mr. Ng Kok Tai and Mr. Ng Kok Yang, being executive Directors of the Company, have agreed to waive their emoluments of approximately HK$3,593,000 (2010: HK$3,522,000), HK$963,000 (2010: Nil) and HK$2,470,000 (2010: HK$2,154,000) respectively. Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

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:

	2011 HK$'000	2010 HK$'000
Director	**1,106**	1,036
Employees	**2,743**	2,242
	3,849	3,278

The Group's five highest paid individuals for both years included one director and 4 employees. Details of the emoluments of the director is reflected in the analysis presented above. The details of the aggregate emoluments of the 4 employees, all falling within the band of HK$1,000,000 or below, for the year are as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefit-in-kind	**2,616**	2,176
Retirement benefit costs	**127**	66
	2,743	2,242

Based on the audited results of the Group for the two years ended 31 December 2011 and 2010, the executive directors were not entitled to any of the performance-based discretionary bonus during the year.

Save as disclosed above, for the two years ended 31 December 2011 and 2010, 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 2011 (2010: nil).

17. LOSS PER SHARE

(A) BASIC LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the year attributable to owners of the Company of approximately HK$171,719,000 (2010: HK$158,823,000) and the weighted average number of 1,945,996,565 (2010: 1,945,996,565) ordinary shares in issue during the year.

(B) DILUTED LOSS PER SHARE

No diluted loss per share is presented as there were no dilutive potential ordinary shares outstanding for both years.

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 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 and 1 January 2011	—	—	1,651	5,412	24,290	31,353
Additions	—	—	243	—	437	680
Disposals	—	—	—	(2,348)	(11)	(2,359)
Written off during the year	—	—	(1,226)	(1,873)	(10,700)	(13,799)
Exchange differences	—	—	(10)	7	63	60
At 31 December 2011	—	—	658	1,198	14,079	15,935
Accumulated depreciation and impairment losses:						
At 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)
Transfers	—	—	4	—	(4)	—
Exchange differences	195	—	175	238	1,730	2,338
At 31 December 2010 and 1 January 2011	—	—	1,584	3,194	23,125	27,903
Charge for the year	—	—	147	460	509	1,116
Disposals	—	—	—	(1,206)	(6)	(1,212)
Eliminated on written off	—	—	(1,231)	(1,662)	(10,181)	(13,074)
Exchange differences	—	—	3	7	60	70
At 31 December 2011	—	—	503	793	13,507	14,803
Carrying amount:						
At 31 December 2010	—	—	67	2,218	1,165	3,450
At 31 December 2011	—	—	155	405	572	1,132

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$405,000 (2010: HK$1,633,000).

19. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**9,278**	9,278
Disposal	**(9,278)**	—
At 31 December	**—**	9,278

At the end of the last reporting period, the investment property held for sale with the carrying amount of approximately HK$9,278,000 was pledged to secure the Group's bank borrowings (note 28).

20. INVESTMENTS IN SUBSIDIARIES

		Company	
	Notes	**2011**	2010
		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**	339,266
Less: Impairments	(c)	**(339,266)**	(339,266)
		—	—
Amount due to a subsidiary	(b)	**1,586**	—

Notes:

(a) Particulars of principal subsidiaries are set out in note 40 to the financial statements.

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

(c) At 31 December 2011 and 2010, 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 persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK$233,433,000 (2010: HK$233,433,000) against the investments in subsidiaries and approximately HK$339,266,000 (2010: HK$339,266,000) were made against the amount due from a subsidiary at the end of the reporting period.

21. INVESTMENT IN AN ASSOCIATE

	Group	
	2011	2010
	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 2011 and 2010, 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 sustained losses of the associate. Accordingly, a provision for impairment of approximately HK$1,785,000 (2010: 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:

	2011	2010
	HK$'000	HK$'000
At 31 December:		
Total assets	**42**	42
Total liabilities	**(4,966)**	(4,966)
	(4,924)	(4,924)

	2011	2010
	HK$'000	HK$'000
For the year ended 31 December:		
Revenue	**—**	—
Loss for the year	**—**	(3,710)

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 indirectly held by the Company		Principal activity
	2011	2010	
Mobile FPX Sdn. Bhd.	**32.50%**	32.50%	Dormant

At the end of the reporting period, the Group had unrecognised loss for the year of approximately HK$nil (2010: HK$1,266,000) and the accumulated losses of approximately HK$1,534,000 (2010: HK$1,534,000) in respect of its share of equity interest in Mobile FPX Sdn. Bhd.

22. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Merchandises	**12,767**	17,371
Less: Impairments	**(10,924)**	(11,820)
	1,843	5,551

23. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 30 days (2010: 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. At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
1–30 days	**2,444**	8,050
31–60 days	**371**	2,339
61–90 days	**275**	—
91–120 days	**70**	1,969
Over 120 days	**1,238,645**	1,239,384
Less: Impairments	**(1,238,654)**	(1,239,653)
	3,151	12,089

At the end of the reporting period, the ageing analysis of net trade receivables, which was past due but not impaired, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
31–60 days	**371**	2,339
61–90 days	**275**	—
91–120 days	**61**	1,700
	707	4,039

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$1,238,654,000 (2010: HK$1,239,653,000) were impaired. The individually impaired trade receivables mainly related to customers that had prolonged their repayment due to unexpected financial difficulties.

23. TRADE RECEIVABLES (Continued)

Movements on the impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**1,239,653**	1,921,313
Impairments for the year	**4,377**	—
Reversal of impairment	**—**	(5,360)
Written off against trade receivables	**—**	(679,837)
Exchange differences	**(5,376)**	3,537
At 31 December	**1,238,654**	1,239,653

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

	Group	
	2011	2010
	HK$'000	HK$'000
HK$	**1,223,528**	1,187,233
RM	**2,788**	4,224
USD	**573**	36,698
IDR	**5,504**	13,630
EUR	**—**	170
Singapore Dollar	**1,357**	1,364
New Taiwan Dollar	**2,601**	2,701
Vietnam Dong ("VND")	**2,978**	3,235
Philippine Peso ("P$")	**2,476**	2,487
	1,241,805	1,251,742

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011	2,010
	HK$'000	HK$'000
Prepayments	**1,436**	1,238
Deposits and other receivables	**20,018**	28,411
	21,454	29,649
Less: Impairments	**(11,772)**	(16,586)
	9,682	13,063

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$11,772,000 (2010: HK$16,586,000) 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	
	2011	2010
	HK$'000	HK$'000
Pledged bank deposits	**213**	240
Cash and bank balances	**903**	7,242
	1,116	7,482

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	
	2011	2010
	HK$'000	HK$'000
RM	**583**	4,754
HK$	**344**	454
P$	**—**	1,023
IDR	**184**	161
VND	**—**	261
Others	**5**	829
	1,116	7,482

26. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	**434,302**	448,372
Bills payables	**109,288**	114,791
	543,590	563,163

26. TRADE AND BILLS PAYABLES (Continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
1–30 days	**252**	9,186
31–60 days	**—**	4
61–90 days	**—**	118
91–120 days	**—**	8,690
Over 120 days	**434,050**	430,374
	434,302	448,372

Included in the trade payables at the end of the reporting period, approximately HK$405,432,000 (2010: HK$407,424,000) of which were secured by certain corporate guarantees granted by the Company to the previous largest supplier of the Group and certain trade insurance companies. Included in the guaranteed trade payables, approximately HK$344,500,000 (2010: HK$344,500,000) and approximately HK$60,933,000 (2010: HK$62,924,000) 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. The bills payables of the Group were interest-bearing at approximately 8.28% (2010: 5.64%) per annum.

26. TRADE AND BILLS PAYABLES (Continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
USD	**403,240**	418,135
EUR	**60,933**	72,307
RM	**55,360**	57,738
HK$	**12,785**	2,267
INR	**1,575**	2,153
VND	**7,783**	8,456
Others	**1,914**	2,107
	543,590	563,163

27. ACCRUALS AND OTHER PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Interest payables	**342,004**	208,671
Accrual	**56,755**	55,359
Other payables	**74,506**	64,832
	473,265	328,862

Included in the interest payables at the end of the reporting period, approximately HK$89,149,000 (2010: HK$53,596,000) of which were secured by certain corporate guarantees granted by the Company to the previous largest supplier of the Group and certain banks.

28. BANK BORROWINGS

	Group	
	2011	2010
	HK$'000	HK$'000
Bank loans, secured	**434,343**	437,560
Bank overdrafts, secured	**45,697**	70,105
	480,040	507,665

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

	Group	
	2011	2010
	HK$'000	HK$'000
USD	**196,251**	193,252
HK$	**203,209**	205,080
RM	**77,877**	106,602
EUR	**2,703**	2,731
	480,040	507,665

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

	Bank loans		Bank overdrafts	
	2011	2010	**2011**	2010
USD	**5.7%**	5.7%	**6.0%**	6.0%
HK$	**4.3%**	4.3%	**5.9%**	5.9%
RM	**8.2%**	7.9%	**9.1%**	7.8%
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 (2010: secured by the Company's corporate guarantees and the Group's non-current asset held for sale of approximately HK$9,278,000).

29. 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 2011 HK$'000	Minimum lease payments 2010 HK$'000	**Present value of minimum lease payments 2011 HK$'000**	Present value of minimum lease payments 2010 HK$'000
Amounts payable:				
Within one year	**232**	453	**231**	396
In the second to fifth years, inclusive	**49**	323	**49**	334
After five years	**—**	71	**—**	—
Total minimum finance lease payments	**281**	847	**280**	730
Future finance charges	**(1)**	(117)		
Total net finance lease payables	**280**	730		
Portion classified as current liabilities	**(231)**	(396)		
Non-current portion	**49**	334		

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 years. At the end of the reporting period, the average effective borrowing rate was 3.9 % (2010: 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.

29. FINANCE LEASE PAYABLES (Continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
HK$	**108**	464
RM	**76**	114
VDN	**81**	88
IDR	**15**	64
	280	730

30. FINANCIAL GUARANTEE LIABILITIES

GROUP

The Company and its indirect wholly-owned subsidiary, First Mobile Group Sdn. Bhd. ("FMGSB") have given corporate guarantees to certain banks to secure general banking facilities of EM totaling approximately HK$27,797,000. In view that EM is currently in liquidation, and on grounds that the potential claims of these corporate guarantees granted by the Company and FMGSB may be exercised by said banks, a provision for financial guarantee liabilities of approximately HK$27,797,000 have been made against the potential uncovered exposures to be borne by the Company and FMGSB under such guarantees.

COMPANY

At 31 December 2011, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the previous largest supplier of the Group to secure the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK$1,054,022,000 (2010: HK$962,184,000) of which were utilised by the subsidiaries as at that date. The Group has breached certain bank covenant requirements and defaulted in repayment of certain bank borrowings. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK$1,054,022,000 (2010: HK$962,184,000) 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.

31. CONVERTIBLE LOAN

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

If the Loan have not been converted, HK$3 million, HK$4 million and HK$6 million will be redeemed at par on 30 June 2012, 30 September 2012 and 31 December 2012. Interest of 8 per cent per annum will be paid monthly up until the Loan are converted or redeemed.

The net proceed received from the issue of the Convertible Loan has been split between the liability element and an equity component, as follows:

	Group
	HK$'000
Nominal value of Convertible Loan issued	13,000
Equity component	(778)
Liability component at date of issue	12,222
Interest charged	835
Interest paid	(496)
Liability component at 31 December 2011	12,561

The interest charged for the year is calculated by applying an effective interest rate of 14.87% per annum to the liability component.

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

32. DEFERRED TAX

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**(6,347)**	(5,976)
Credit to income statement (note 12)	**6,292**	19
Exchange differences	**55**	(390)
At 31 December	**—**	(6,347)

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 (2010: HK$nil).

Subject to agreement with the tax authorities, the Group had unrecognised tax losses of approximately HK$2,324,910,000 (2010: HK$2,294,338,000) to carry forward against future taxable profits. Included in unrecognised tax losses, approximately HK$34,301,000 (2010: HK$35,616,000) 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:

	Accelerated tax depreciation	**Provision**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2010	(29)	(5,947)	(5,976)
Credit/(charged) to income statement	29	(10)	19
Exchange differences	—	(390)	(390)
At 31 December 2010 and 1 January 2011	**—**	**(6,347)**	**(6,347)**
Credit to income statement	**—**	**6,292**	**6,292**
Exchange differences	**—**	**55**	**55**
At 31 December 2011	**—**	**—**	**—**

33. SHARE CAPITAL

	Company	
	Number of ordinary shares of HK$0.10 each	HK$'000
Authorised:		
At 31 December 2010 and 2011	3,000,000,000	300,000
Issued and fully paid:		
At 31 December 2010 and 2011	1,945,996,565	194,600

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2011 and 2010.

The capital structure of the Group consists of debt, which includes bank borrowings, finance lease payables, financial guarantee liabilities and convertible loan as disclosed in notes 28, 29, 30 and 31, and equity attributable to owners of the Company, comprising share capital and reserves.

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

33. SHARE CAPITAL (Continued)

CAPITAL MANAGEMENT (Continued)

The gearing ratios at 31 December 2011 and 2010 were as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Total borrowings	**520,678**	508,395
Total assets	**16,924**	54,361
Gearing ratio	**3077%**	935%

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.

34. 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.

34. RESERVES (Continued)

(B) COMPANY

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 lapse of share options	—	(5,697)	5,697	—
At 31 December 2010 and 1 January 2011	**287,281**	**7,597**	**(1,455,761)**	**(1,160,883)**
Loss for the year	**—**	**—**	**(95,351)**	**(95,351)**
Transfer upon lapse of share options	**—**	**(7,597)**	**7,597**	**—**
At 31 December 2011	**287,281**	**—**	**(1,543,515)**	**(1,256,234)**

(C) NATURE AND PURPOSE OF RESERVES

(i) Share premium account

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

(ii) Merger reserve

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

34. RESERVES (Continued)

(C) NATURE AND PURPOSE OF RESERVES (Continued)

(iii) Capital reserve

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

(iv) Foreign currency translation reserve

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

35. 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.

35. SHARE OPTION SCHEME (Continued)

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 a duly authorised committee thereof which shall include the independent non-executive Directors 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 Stock 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 Stock 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 year, no (2010: HK$93,000) share-based payments has been charged against the Group's results. There is no outstanding options at the end of the reporting period. At 31 December 2010, the outstanding options had a remaining contractual life of approximately 0.03 years and until 10 January 2011.

35. SHARE OPTION SCHEME (Continued)

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

Category of participant	At 1 January	Lapsed 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:						
2011	**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)**	**—**			

Category of participant	At 1 January	Lapsed 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			

36. MAJOR NON-CASH TRANSACTION

(a) During the year, the Group's non-current asset held for sale was compulsorily foreclosed and disposed of by the related bank creditor. The related proceeds of approximately HK$19,533,000 were fully utilised to make partial settlement of the related bank overdrafts, bank borrowings and bills payables.

(b) During the prior year, the Group's freehold property, leasehold land and buildings were repossessed by the bank creditors for subsequent disposals at the proceeds of approximately HK$76,361,000 which were fully utilised to make partial settlement of the related bank borrowings.

37. CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities at 31 December 2011 and 2010.

38. OPERATING LEASE COMMITMENTS

Leases for properties and staff quarters 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	
	2011	2010
	HK$'000	HK$'000
Within one year	**689**	620
In the second to fifth years, inclusive	**131**	29
	820	649

39. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, on 14 February 2012, a winding-up order was issued by the High Court of Malaya, Kuala Lumpur at the adjourned hearing of the winding-up petition, ordering among other things that Mobile Distribution (M) Sdn. Bhd. ("MD"), an indirect wholly-owned subsidiary of the Company, be wound up and that the Official Receiver of Malaysia be appointed as the liquidator of MD.

(b) Subsequent to the end of the reporting period, on 14 February 2012, the Company announced (i) the proposed revision to the terms of the capital reorganisation; (ii) further details on the stand-by facility; and (iii) the grant of FA Option, further details of which are published in the Company's announcement on the same day.

40. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

Name of the subsidiary	Place of incorporation/ registration/operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2011	2010	
Direct subsidiary:					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding
Indirect subsidiaries:					
é-Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	**95%**	95%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P$1 each	**100%**	100%	Inactive
First 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
Lets Do Mobile Philippines Inc.	Republic of the Philippines	85,000,000 shares of P$1 each	**100%**	100%	Inactive
Matrix Star Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	—	Trading of mobile phones
Mobile Distribution (M) Sdn. Bhd.	Malaysia	200,000 ordinary shares of RM1 each	**100%**	100%	In liquidation
Mobile Distribution Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Investment holding and trading of mobile phones

40. 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 Group		Principal activities
			2011	2010	
Multi Brand Telecom Services Trade Joint Stock Company	Vietnam	Vietnam Dong 2,000,000,000	**90%**	90%	Inactive
PT. Comworks Indonesia	Indonesia	330,000 shares of USD1 each	**100%**	100%	Trading and distribution of mobile phones and related accessories

41. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, during the year, a subsidiary of the Company had disposed of its motor vehicle at the consideration of HK$450,000 to the spouse of a director of the Company. This transaction contributed to the Group a gain on disposal of approximately HK$235,000.

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2012.

Five-Year Financial Summary

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.

RESULTS

	For the years ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATION					
Revenue	**58,602**	189,544	3,106,161	7,115,314	7,769,094
Profit/(loss) before tax	**(178,012)**	(158,081)	(2,125,822)	81,265	124,898
Income tax	**6,255**	(2,253)	(10,855)	(29,260)	(26,044)
Profit/(loss) for the year from continuing operation	**(171,757)**	(160,334)	(2,136,677)	52,005	98,854
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**—**	—	(27,927)	(10,966)	(35,323)
Profit/(loss) for the year	**(171,757)**	(160,334)	(2,164,604)	41,039	63,531
Attributable to:					
Owners of the Company	**(171,719)**	(158,823)	(2,164,419)	40,953	63,543
Non-controlling interests	**(38)**	(1,511)	(185)	86	(12)
	(171,757)	(160,334)	(2,164,604)	41,039	63,531

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,132**	3,450	60,129	95,946	103,063
Current assets	**15,792**	50,911	132,734	2,823,309	2,753,508
Current liabilities	**(1,539,553)**	(1,402,198)	(1,380,380)	(1,934,738)	(1,900,145)
Non-current liabilities	**(49)**	(6,681)	(6,974)	(11,251)	(9,077)
Net assets/(liabilities)	**(1,522,678)**	(1,354,518)	(1,194,491)	973,266	947,349
Attributable to:					
Owners of the Company	**(1,521,149)**	(1,353,026)	(1,194,491)	973,095	947,349
Non-controlling interests	**(1,529)**	(1,492)	—	171	—
Total equity	**(1,522,678)**	(1,354,518)	(1,194,491)	973,266	947,349