



FIRST MOBILE GROUP HOLDINGS LIMITED

第一電訊集團有限公司

Stock code : 865

股票編號 : 865

Interim Report 2012

二零一二年中期業績報告

INTERIM FINANCIAL STATEMENTS

The directors (the “Directors”) of First Mobile Group Holdings Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012 (the “Period”) together with the unaudited comparative figures:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	For the six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	4	22,021	29,289
Cost of sales		(22,226)	(25,100)
Gross (loss)/profit		(205)	4,189
Other income		4,411	12,092
Selling and distribution expenses		(635)	(2,657)
General and administrative expenses		(6,503)	(12,410)
Other operating expenses		(1,574)	(16,168)
Provision for financial guarantee liabilities relating to the borrowings of a deconsolidated subsidiary		(29,432)	—
Gain on deconsolidation of a liquidating subsidiary	6	23,664	—
Loss from operations		(10,274)	(14,954)
Finance costs	7	(85,513)	(82,445)
Loss before tax	8	(95,787)	(97,399)
Income tax	9	—	—
Loss for the period		(95,787)	(97,399)
Attributable to:			
Owners of the Company		(95,787)	(97,399)
Non-controlling interests		—	—
		(95,787)	(97,399)
Loss per share	10		
Basic and diluted (HK cents per share)		(4.92)	(5.01)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(95,787)	(97,399)
Other comprehensive income/ (loss) after tax:		
Exchange differences on translation of foreign operations	2,706	(6,092)
Total comprehensive loss for the period	(93,081)	(103,491)
Attributable to:		
Owners of the Company	(93,081)	(103,491)
Non-controlling interests	—	—
	(93,081)	(103,491)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	1,126	1,132
Current assets			
Inventories		1,022	1,843
Trade receivables	13	2,489	3,151
Prepayments, deposits and other receivables		23,731	9,682
Pledged bank deposits		213	213
Bank and cash balances		1,031	903
		28,486	15,792
Current liabilities			
Trade and bills payables	14	537,424	543,590
Accruals and other payables		528,587	473,265
Bank borrowings		485,828	480,040
Finance lease payables		287	231
Current tax liabilities		2,170	2,069
Financial guarantee liabilities	15	57,229	27,797
Convertible loan	16	31,422	12,561
		1,642,947	1,539,553

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2012

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Net current liabilities	(1,614,461)	(1,523,761)
Total assets less current liabilities	(1,613,335)	(1,522,629)
Non-current liabilities		
Finance lease payables	—	49
NET LIABILITIES	(1,613,335)	(1,522,678)
Capital and reserves attributable to owners of the Company		
Share capital	194,600	194,600
Reserves	(1,806,406)	(1,715,749)
Equity attributable to owners of the Company	(1,611,806)	(1,521,149)
Non-controlling interests	(1,529)	(1,529)
TOTAL EQUITY	(1,613,335)	(1,522,678)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Net cash used in operating activities	(25,301)	(3,897)
Net cash generated from investing activities	2,277	9,129
Net cash generated from/(used in) financing activities	20,007	(2,317)
Net (decrease)/increase in cash and cash equivalents	(3,017)	2,915
Effect of foreign exchange rate changes	734	(6,282)
Cash and cash equivalents at beginning of period	(44,794)	(62,863)
Cash and cash equivalents at end of period	(47,077)	(66,230)
Analysis of cash and cash equivalents		
Bank and cash balances	1,031	4,034
Bank overdrafts	(48,108)	(70,264)
	(47,077)	(66,230)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company								Total equity HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Share premium account HK\$'000 (unaudited)	Merger reserve HK\$'000 (unaudited)	Foreign currency translation reserve HK\$'000 (unaudited)	Capital reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	
At 1 January 2012	194,600	127,539	3,982	24,875	778	(1,872,923)	(1,521,149)	(1,529)	(1,522,678)
Total comprehensive loss for the period	–	–	–	2,706	–	(95,787)	(93,081)	–	(93,081)
Equity component of convertible loan	–	–	–	–	2,424	–	2,424	–	2,424
At 30 June 2012	194,600	127,539	3,982	27,581	3,202	(1,968,710)	(1,611,806)	(1,529)	(1,613,335)
At 1 January 2011	194,600	127,539	3,982	22,057	7,597	(1,708,801)	(1,353,026)	(1,492)	(1,354,518)
Total comprehensive loss for the period	–	–	–	(6,092)	–	(97,399)	(103,491)	–	(103,491)
Transfer upon forfeiture of share options	–	–	–	–	(7,597)	7,597	–	–	–
At 30 June 2011	194,600	127,539	3,982	15,965	–	(1,798,603)	(1,456,517)	(1,492)	(1,458,009)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. General Information

First Mobile Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, KY1-1106, Grand Cayman, Cayman. The address of its principal place of business is Workshop 6, Level 1, Wah Yiu Industrial Centre, 30–32 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and its shares 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 period and is engaged in the trading and distribution of mobile phones and related accessories.

2. Basis of Preparation and Accounting Policies

The Group incurred a loss attributable to owners of the Company of approximately HK\$95,787,000 for the six months ended 30 June 2012 (2011: HK\$97,399,000) and as at 30 June 2012 the Group had net current liabilities of approximately HK\$1,614,461,000 (31 December 2011: HK\$1,523,761,000) and net liabilities of approximately HK\$1,613,335,000 (31 December 2011: HK\$1,522,678,000) respectively.

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

2. Basis of Preparation and Accounting Policies *(continued)*

- Pursuant to the Subscription Agreement dated 27 August 2010 (as amended by the side letters dated 15 September 2010, 23 December 2010, 31 March 2011, 7 July 2011, 2 November 2011 and 30 March 2012, and the supplemental subscription agreement dated 28 September 2010), the Company has conditionally agreed to allot and issue to the Investor, and the Investor has conditionally agreed to subscribe for 925,714,285 Subscription Shares, at a Subscription Price of approximately HK\$0.175 per Subscription Share, for a total cash consideration, before expenses, of HK\$162 million.
- At the Scheme Meeting held on 21 December 2010, the Creditor Schemes proposed to be entered into between the Company and the Creditors were unanimously approved by the Creditors attending and voting at the meeting in person or by proxy.
- On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court and on 28 April 2011, the Cayman Scheme was sanctioned by the Grand Court. The Hong Kong Scheme and the Cayman Scheme will become effective and legally binding on the Company and the Creditors upon fulfillment of the specified conditions precedent to the Subscription Agreement.

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

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

2. Basis of Preparation and Accounting Policies *(continued)*

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2011.

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting periods beginning on or after 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the financial statements and amounts reported for the current year and prior years.

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

4. Revenue

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover from sales of mobile phones and accessories, net	22,021	29,079
Other revenue:		
Rental income	—	48
Sundry income	—	162
	22,021	29,289

5. Segment Information

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

5. Segment Information *(continued)*

Information about reportable segment profit or loss and segment assets:

	Trading and distribution of mobile phones and related accessories	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Six months ended 30 June:		
Revenue from external customers	22,021	29,289
Segment loss	10,275	14,960
Interest income	1	6
Interest expenses	85,513	82,445
Depreciation	308	649
Other material non-cash items:		
Impairment of trade receivables	222	1,387
Impairment of prepayments, deposits and other receivables	138	3,277
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (audited)
At 30 June 2012/31 December 2011:		
Segment assets	29,612	16,924

Reconciliation of reportable segment profit or loss:

	For the six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Total loss of reportable segments	(10,275)	(14,960)
Corporate and unallocated loss	(85,512)	(82,439)
Consolidated loss before tax	(95,787)	(97,399)

6. Gain on Deconsolidation of a Liquidating Subsidiary

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

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

	HK\$'000
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Cash and cash equivalent deconsolidated:	
Cash and bank balances	(2)
Bank overdrafts	2,582
<hr/>	
	2,580
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7. Finance Costs

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on:		
– bank borrowings	31,701	29,800
– finance lease	20	35
– convertible loans	1,803	–
– trade payables	51,989	52,610
	85,513	82,445

8. Loss Before Tax

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	22,226	25,100
(Gain)/loss on disposal of property, plant and equipment	(44)	10,468
Impairment of trade receivables	222	1,387
Impairment of prepayments, deposits and other receivables	135	3,277
Depreciation	308	649
Net exchange (gains)/losses	(4,273)	11,494

9. Income Tax

No provision for profits tax has been made as the Group did not generate any assessable profit for each of the six months ended 30 June 2012 and 2011.

10. Loss Per Share

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$95,787,000 (2011: HK\$97,399,000) and the weighted average number of 1,945,996,565 (2011: 1,945,996,565) ordinary shares in issue during the period.

Diluted loss per share

No diluted loss per share is presented as there were no dilutive ordinary shares outstanding for the two periods ended 30 June 2012 and 2011.

11. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: None).

12. Property, Plant and Equipment

	2012	2011
	Property, plant and equipment HK\$'000	Property, plant and equipment HK\$'000
Carrying amounts at 1 January (audited)	1,132	3,450
Exchange differences	21	41
Additions	358	561
Depreciation	(308)	(649)
Disposals	(77)	(201)
Carrying amounts at 30 June (unaudited)	1,126	3,202

13. Trade Receivables

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

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

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
1-30 days	1,371	2,444
31-60 days	181	371
61-90 days	466	275
91-120 days	116	70
Over 120 days	1,238,996	1,238,645
Less: Impairments	(1,238,641)	(1,238,654)
	2,489	3,151

14. Trade and Bills Payables

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Trade payables	433,138	434,302
Bills payables	104,286	109,288
	537,424	543,590

14. Trade And Bills Payables *(continued)*

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

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
1–30 days	259	252
31–60 days	893	—
61–90 days	611	—
91–120 days	22	—
Over 120 days	431,353	434,050
	433,138	434,302

15. 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 Exquisite Model Sdn. Bhd. (“EM”) and MDM totaling approximately HK\$57,229,000. In view that EM and MDM are 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\$57,229,000 have been made against the potential uncovered exposures to be borne by the Company and FMGSB under such guarantees.

16. Convertible Loan

- (a) 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 “Time Boomer Loan” or the “Time Boomer Convertible Loan”) with Mobile Distribution Limited (“MDL”), a wholly-owned subsidiary of the Company. The Time Boomer Loan is convertible into 74,285,714 Adjusted Shares of the Company at HK\$0.175 per share upon fulfillment of certain conditions precedent as described in the Company’s announcement dated 14 July 2011 (the “14 July 2011 Announcement”).

16. Convertible Loan *(continued)*

(a) *(continued)*

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

The interest charged for the year is calculated by applying an effective interest rate of 11.37% per annum to the liability component.

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

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

The First Apex Loan shall be repayable in full on 31 December 2012 if the First Apex Loan has not been converted by then. The First Apex Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of 15.26% per annum to the liability component.

16. Convertible Loan *(continued)*(b) *(continued)*

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

- (c) The net proceed received from the Time Boomer and First Apex Convertible Loans have been split between the liability element and an equity component, as follows:

	Group Convertible Loan		
	Time Boomer	First Apex	Total
	HK\$'000	HK\$'000	HK\$'000
Liability component at			
1 January 2012	12,561	—	12,561
Nominal value of Convertible Loan issued on			
14 February 2012	—	20,000	20,000
Less: initial equity component	—	(2,424)	(2,424)
Liability component subtotal	12,561	17,576	30,137
Interest charged	730	1,073	1,803
Interest paid	(518)	—	(518)
Liability component at			
30 June 2012	12,773	18,649	31,422

17. Approval of Unaudited Condensed Consolidated Interim Financial Statements

These Interim Financial Statements were approved and authorised for issue by the board of Directors on 31 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of 2012, the Group continued to focus mainly on the trading and distribution of its house-brand mobile phones as well as 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.

Financial Review

The Group recorded a turnover of approximately HK\$22 million for the first half of financial year 2012 ("FY2012"), representing a decrease of 24.3% over the corresponding period in 2011. The decrease in turnover is mainly attributable to the generally weak market conditions for house brand mobile phones in Indonesia. In relation to this, the Group recorded a gross loss of approximately 0.9% in the first half of FY2012 as compared to a gross profit of approximately 14.3% in the corresponding period.

The Group's selling and distribution expenses decreased by 76% from HK\$2.7 million to HK\$0.6 million mainly due to the decrease in turnover, and the expenditures relating to the Group's brand building and marketing campaigns in Indonesia incurred in the corresponding period.

The Group's general and administrative expenses decreased by HK\$5.9 million compared to the corresponding period in 2011 mainly due to the various cost-cutting measures implemented by the Group.

The loss attributable to owners of the Company was approximately HK\$96 million for the first half of FY2012, representing loss per share of HK4.92 cents as compared to a loss of approximately HK\$97 million for the corresponding period in 2011, representing loss per share of HK5.01 cents.

Finance costs increased by approximately HK\$3 million compared to the previous corresponding period mainly due to interest charged on convertible loans.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and Financial Resources

As at 30 June 2012, bank and cash balances of the Group were approximately HK\$1.24 million (as at 31 December 2011: HK\$1.12 million), of which approximately HK\$0.21 million (as at 31 December 2011: HK\$0.21 million) were pledged for general banking facilities.

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2012 was 1,941% (as at 31 December 2011: 3,077%).

As at 30 June 2012, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2011: secured by the corporate guarantees granted by the Company).

Prepayments, deposits and other receivables comprised mainly deposits paid to suppliers for the purchase of goods.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012.

Employees

As at 30 June 2012, the Group had 65 (as at 31 December 2011: 88) employees. The total of employee remuneration, including that of the Directors, for the six months ended 30 June 2012 amounted to approximately HK\$3.6 million (six months ended 30 June 2011: HK\$4.8 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Future Plans and Prospects

The Group will remain focused on its core business of trading and distribution of mobile phones and related accessories.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Future Plans and Prospects *(continued)*

Dealing in the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended since 27 November 2009. The Stock Exchange had on 20 June 2012 placed the Company in the third delisting stage. The Company, with the assistance of its financial advisor, is actively working on a revised resumption proposal which will be submitted to the Stock Exchange before 19 December 2012.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Shares in the Company

Name of Director	Number of Shares of HK\$0.10 each			Total	Percentage of issued share capital
	Personal interests	Family interests <i>(note (i))</i>	Corporate interests <i>(note (ii))</i>		
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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES *(continued)*

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 <i>(note)</i>	Total
Mr. Ng Kok Hong	1,239,326	18,878	1,258,204
Mr. Ng Kok Tai	1,239,326	—	1,239,326
Mr. Ng Kok Yang	305,160	—	305,160

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

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

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").

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

Jinwu Limited *(continued)*

Jinwu is a special purpose investment company owned as to 50% by each of The ADM Maculus Fund V LP and ADM Galleus Fund II Limited, each being collective investment funds established under the laws of the Cayman Islands and managed or advised by Asia Debt Management Hong Kong Limited. Jinwu will become a substantial shareholder of the Company upon completion of the Subscription in accordance with the terms under the Subscription Agreement. The said issue and allotment of the subscription shares have not been completed as at the date of this report, but Jinwu is deemed to be interested in such 925,714,285 subscription shares of the Company.

Time Boomer Limited

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

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

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

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

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 30 June 2012, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

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

The unaudited financial results and statements of the Company for the six months ended 30 June 2012 have not been reviewed by external auditors or by the Audit Committee as there were no independent non-executive Directors (the "INED") to constitute the Audit Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in Appendix 14 of the Listing Rules — Code on Corporate Governance Practices (the “CG Code”) during the six months ended 30 June 2012 in the CG Code except for those in relation to the vacancy of the INED following the resignations of all three of the Company’s INED on 2 December 2009. Arrangements will be made to appoint the appropriate number of INEDs to reconstitute the Board of Directors and the Audit, Nomination and Remuneration Committees as soon as practicable to comply with the CG Code.

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

Hong Kong, 31 August 2012

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

