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 2012
二零一二年年報

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CORPORATE INFORMATION

BOARD OF DIRECTORS

NG KOK HONG
NG KOK TAI
NG KOK YANG

COMPANY SECRETARY

CHOY MAN SAU

REGISTERED OFFICE

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KY1-1106, GRAND CAYMAN, CAYMAN

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

WORKSHOP 6, LEVEL 1,
WAH YIU INDUSTRIAL CENTRE,
30-32 AU PUI WAN STREET,
FOTAN, SHATIN,
NEW TERRITORIES, HONG KONG

COMPANY WEBSITE

WWW.FIRSTMOBILE.COM

AUDITOR

ANDA CPA LIMITED

LEGAL ADVISER AS TO HONG KONG LAW

BRANDT CHAN AND PARTNERS
IN ASSOCIATION WITH DENTONS HK LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

ROYAL BANK OF CANADA TRUST COMPANY
(CAYMAN) LIMITED
4TH FLOOR, ROYAL BANK HOUSE,
24 SHEDDEN ROAD, GEORGE TOWN,
GRAND CAYMAN KY1-1110,
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"), I hereby present the Annual Report of the Company for the financial year ended 31 December 2012 ("FY2012").

The Group recorded a total revenue of HK$23 million for FY2012, representing a decrease of 60.4% from the previous financial year. Overall gross profit margin decreased from 7.2% to 0.8% in FY2012. The loss attributable to owners of the Company was HK$203 million for FY2012.

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 debt restructuring investors, proposed capital reorganisation, proposed creditors schemes and group reorganisation, proposed acquisition and proposed disposal (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, 14 February 2012 and 21 December 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 had placed the Company in the first delisting stage under Practice Note 17 (the "PN17") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). In addition, the Company is required to submit a viable resumption proposal to the Stock Exchange by 1 May 2011, further details of which are contained in the Company's announcement dated 8 November 2010.

In this regard, the Company 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 had not satisfactorily demonstrated sufficiency of operations or assets under Rule 13.24 of the Listing Rules, and that the Company had 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 ("Resumption Proposal 2011") 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 Resumption Proposal 2011.

At the end of the second delisting stage, the Company did not provide a viable resumption proposal to the Stock Exchange to seek their approval for the resumption of trading in the shares of the Company. The Stock Exchange placed the Company in the third delisting stage on 20 June 2012. The Company has on 4 December 2012 submitted another revised resumption proposal to the Stock Exchange after entering into a legally-binding term sheet in relation to a proposed acquisition of the entire equity interest in 重慶涪陵聚龍電力有限公司 Chongqing Fuling Julong Electric Power Co., Ltd ("Julong") (the "Proposed Acquisition"), details of which are set out in the Company's announcement dated 21 December 2012. Julong and its subsidiary and associated companies are principally engaged in power generation, power supply and sales of electricity within various regions in Chongqing in the PRC. On 21 January 2013, the Company had entered into the acquisition agreement with 重慶涪陵能源實業集團有限公司 ("Energy Industry") and the management shareholders of Julong for the Proposed Acquisition (the "Acquisition Agreement"). The information relating to the Acquisition Agreement as required under the Code on Takeovers and Mergers and the Listing Rules will be set out in a joint announcement to be issued by the Company and Energy Industry.

LOOKING AHEAD

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

Additionally, the Company considers that the Proposed Acquisition presents a chance for the Company to seek the resumption of trading in its shares. It is envisaged that the financial predicament of the Company will be resolved upon the completion the Proposed Acquisition and the shareholders of the Company will be afforded an opportunity to participate in a viable and profitable business with sustainable earnings which would provide them with a return on their investment in the future.

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, 21 March 2013

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.

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

OVERVIEW

The Group recorded a turnover of approximately HK$23 million for the financial year ended 31 December 2012 ("FY2012"), representing a decrease of 60.4% over the previous financial year ended 31 December 2011 ("FY2011")'s turnover of approximately HK$59 million. 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 profit margin of approximately 0.8% in FY2012 as compared to a gross profit margin of approximately 7.2% in FY2011.

The Company recorded an other income of approximately HK$0.1 million for FY2012, representing a decrease of 99.4% compared to FY2011. The decrease was mainly attributable to a gain of approximately HK$10 million on disposal of non-current asset held for sale and the net exchange gain of approximately HK$10 million in FY2011.

The Group's selling and distribution expenses decreased by 92.7% from HK$10.1 million to HK$0.7 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 FY2011.

The Group's general and administrative expenses decreased by approximately HK$11 million compared to FY2011 mainly due to the various cost-cutting measures implemented by the Group.

Finance costs decreased by approximately HK$1 million compared to FY2011 mainly due to the net impact of i) the decreased bank borrowings resulting from the deconsolidation of a subsidiary company during FY2012 and ii) the convertible loan newly raised.

The loss attributable to owners of the Company was approximately HK$203 million for FY2012, representing loss per share of HK10.44 cents as compared to a loss of approximately HK$172 million for FY2011, representing loss per share of HK8.82 cents.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, bank and cash balances of the Group were approximately HK$0.68 million (2011: HK$1.12 million), of which nil (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 31 December 2012 was 8,956% (2011: 3,077%).

As at 31 December 2012 and 2011, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company.

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 at 31 December 2012 and 2011.

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31 December 2012 and 2011.

EMPLOYEES

As at 31 December 2012, the Group had 11 (2011: 88) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2012 amounted to approximately HK$6.20 million (2011: HK$9.55 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 34 to the consolidated financial statements.

STRATEGIES FOR 2013

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 to enhance shareholders' value and strengthen its financial foundations.

Dealing in the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended since 27 November 2009. The Company has submitted a revised resumption proposal to the Stock Exchange on 4 December 2012.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. NG Kok Hong, aged 49, 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 52, Executive Deputy Chairman of the Group. He is also the President and Executive Director of First Mobile Group Sdn. Bhd., and 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 45, 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. WONG Wai Hoe, aged 45, 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.

Ms. CHOY Man Sau, aged 35, Group Financial Controller and the Company Secretary of the Company. Ms. Choy holds a Bachelor's degree of Business Administration (Honours) from Hong Kong Baptist University and a Master's degree in Corporate and Financial Law from the University of Hong Kong. She is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. Ms. Choy has more than twelve years of experience in accounting and financial management.

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 2012.

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 35 to the consolidated 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 consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24. The Directors do not recommend the payment of any dividend for the year ended 31 December 2012.

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 31(B) to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$27,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the consolidated 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, is set out on page 80. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2012, 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 Yang 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 8.

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 2012, the executive Directors are not entitled to any discretionary bonus for the year ended 31 December 2012 (2011: 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 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

	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 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 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

CHONGQING FULING WATER CONSERVANCY AND POWER INVESTMENT GROUP 重慶市涪陵水利電力投資集團有限責任公司 ("CWCPI")

On 24 November 2012, the Company entered into the term sheet (the "Term Sheet") with CWCPI and the management shareholders of Chongqing Fuling Julong Electric Power Co., Ltd. ("Julong") (the "Julong Management Shareholders") pursuant to which the Company proposed to acquire the entire equity interest in Julong at a consideration of approximately HK$680 million to be satisfied through the issuance of the consideration shares (the "Proposed Acquisition").

The said issue and allotment of the consideration shares have not been completed as at the date of this report, but CWCPI is deemed to be interested in approximately 32.33% of the adjusted issued shares of the Company.

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. Pursuant to the Term Sheet and the Subscription Agreement (as amended and revised on 4 December 2012 to facilitate the transaction contemplated under the Term Sheet), the Investor will subscribe for 1,337,264,151 shares (instead of 925,714,285 shares). 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 approximately 22.01% of the adjusted issued shares of the Company.

TIME BOOMER LIMITED ("Time Boomer")

On 7 July 2011, 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.

Pursuant to the Term Sheet, Time Boomer is deemed to be interested in less than 5% of the adjusted issued shares of the Company.

FIRST APEX INVESTMENTS LIMITED ("First Apex")

On 3 February 2012, 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, which in turn is convertible into one Adjusted Share of the Company, 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.

Pursuant to the Term Sheet, First Apex is deemed to be interested in less than 5% of the adjusted issued shares of the Company.

Save as disclosed above, as at 31 December 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.

Subsequent to the Term Sheet, CWCPI has transferred its entire interest in Julong to 重慶涪陵能源實業集團有限公司 ("Energy Industry"). On 21 January 2013, the Company had entered into the acquisition agreement with Energy Industry and the Julong Management Shareholders for the Proposed Acquisition (the "Acquisition Agreement"). The information relating to the Acquisition Agreement as required under the Code on Takeovers and Mergers and the Rules Governing the Listing of Securities on the Stock Exchange will be set out in a joint announcement to be issued by the Company and Energy Industry.

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	24%
– five largest customers combined	51%
Purchases	
– the largest supplier	61%
– five largest suppliers combined	99%

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 16 to 21.

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, 21 March 2013

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 (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) (collectively, 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 2012 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 2012. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors' profiles are set out on page 8. The three executive Directors are brothers.

The Board members as at 31 December 2012 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.

DELEGATION BY THE BOARD

The Board has delegated functions that are necessary and incidental to carrying out the decision of the Board or to facilitate the day-to-day operation of the Group in the ordinary course of business to the senior management and divisional heads of different units.

SUPPLY OF AND ACCESS TO INFORMATION

Directors are provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying Board papers are sent in full to all Directors in a timely manner and at least three days before the intended date of a Board meeting. Management is regularly reminded by the company secretary that they have an obligation to supply the Board and its committees with adequate information in a timely manner to enable them to make informed decisions. The information supplied must be complete and reliable. The Board and each Director have separate and independent access to the Company's senior management for making further enquiries where necessary.

Major corporate matters that are specifically delegated by the Board to senior management include execution of business strategies and initiatives adopted by the Board, implementation of adequate internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

BOARD MEETINGS

The Board meets regularly at least four times a year and additional meetings are convened as and when the Board considers necessary. In 2012, nine 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)*	9/9
Mr. Ng Kok Tai *(Executive Deputy Chairman)*	9/9
Mr. Ng Kok Yang *(Chief Executive Officer)*	1/9

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 2012 have not been reviewed by the Audit Committee as there were no INEDs to constitute the Audit Committee.

REMUNERATION COMMITTEE

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

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

NOMINATION COMMITTEE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the year ended 31 December 2012.

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 CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimations that are prudent and reasonable; and have prepared the accounts on the going concern basis, as the Company has submitted a revised resumption proposal on 4 December 2012, 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 as set out in note 2 to the consolidated financial statements will eventually be agreed upon by the Company's Creditors, the Investor, and the Company's shareholders, and will be successfully implemented.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2012, the Company has circulated and the Directors have received regular updates on changes and development on relevant laws, rules and regulations for their reference.

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Choy Man Sau. The Company Secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge in 2012.

SHAREHOLDERS' RIGHT

The Company is committed to pursue active dialogue with shareholders as well as to provide disclosure of information concerning the Group's material developments to shareholders, investors and other stakeholders.

Annual general meeting ("AGM") of the Company serves as an effective forum for communication between shareholders and the Board. Notice of the AGM together with the meeting materials are despatched to all shareholders not less than 21 days prior to the AGM.

The Company's last AGM was held on Tuesday, 29 May 2012 at 4:00 p.m. at President Room, Level 2, Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, New Territories, Hong Kong. All the resolutions proposed at that meeting were approved by shareholders of the Company by poll. Details of the poll results are available under the "Announcements and Notices" section of the Company's website. Executive Chairman, Mr. Ng Kok Hong was present and available to answer any questions raised by the shareholders of the Company. External auditors were also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Vote of shareholders at general meeting will be taken by poll in accordance with the Listing Rules, unless otherwise required and permitted. Detailed procedures for conducting a poll will be explained to the shareholders at the inception of general meeting to ensure that shareholders are familiar with such voting procedures. Separate resolution will be proposed by the chairman of general meeting in respect of each substantial issue. The poll results will be posted on the websites of the Company and the Stock Exchange on the same business day of the general meeting.

Pursuant to the Bye-Laws of the Company, an extraordinary general meeting can be convened on the written requisition of any two or more members holding in aggregate not less than one-tenth of such of the paid up capital of the Company as the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office of the Company.

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.

AUDITOR'S REMUNERATION

During the year ended 31 December 2012, 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 approximately HK$676,000 and HK$615,000 respectively.

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all shareholders. The Company encourages two-way communications with both its institutional and private investors.

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.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

Other enquiries or comments raised by any shareholder can be mailed to the Board at the Company's head office in Hong Kong at Workshop 6, Level 1, Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong.

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 24 to 79, which comprise the consolidated and Company statements of financial position as at 31 December 2012, 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 the 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 the 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. 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.

BASIS FOR DISCLAIMER OF OPINION

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 proposed restructuring. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group 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 proposed restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the material uncertainty relating to the going concern basis as described in the basis for disclaimer of opinion paragraph, 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, 21 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	8	**23,186**	58,602
Cost of sales		**(23,004)**	(54,387)
Gross profit		**182**	4,215
Other income	9	**142**	23,962
Selling and distribution expenses		**(739)**	(10,080)
General and administrative expenses		**(14,397)**	(25,223)
Other operating expenses		**(18,810)**	(8,014)
Provision for financial guarantee liabilities	28	**(31,139)**	(27,797)
Gain on deconsolidation of a liquidating subsidiary	10	**24,508**	29,107
Loss from operations		**(40,253)**	(13,830)
Finance costs	11	**(162,989)**	(164,182)
Loss before tax		**(203,242)**	(178,012)
Income tax	12	**11**	6,255
Loss for the year	13	**(203,231)**	(171,757)
Attributable to:			
Owners of the Company		**(203,228)**	(171,719)
Non-controlling interests		**(3)**	(38)
		(203,231)	(171,757)
Loss per share			
– Basic and diluted (HK cents per share)	17	**(10.44)**	(8.82)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Loss for the year	**(203,231)**	(171,757)
Other comprehensive (loss)/income:		
Exchange differences reclassified to profit or loss upon deconsolidation of a liquidating subsidiary	**1,514**	(1,821)
Exchange differences on translation of foreign operations	**(3,708)**	4,640
	(2,194)	2,819
Total comprehensive loss for the year	**(205,425)**	(168,938)
Attributable to:		
Owners of the Company	**(205,422)**	(168,901)
Non-controlling interests	**(3)**	(37)
	(205,425)	(168,938)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current asset			
Property, plant and equipment	18	**777**	1,132
Current assets			
Inventories	20	**74**	1,843
Trade receivables	21	**868**	3,151
Prepayments, deposits and other receivables	22	**3,863**	9,682
Pledged bank deposits	23	**–**	213
Cash and bank balances	23	**678**	903
		5,483	15,792
Current liabilities			
Trade and bills payables	24	**546,246**	543,590
Accruals and other payables	25	**623,718**	473,265
Bank borrowings	26	**468,745**	480,040
Finance lease payables	27	**106**	231
Current tax liabilities		**1,913**	2,069
Financial guarantee liabilities	28	**58,936**	27,797
Convertible loans	29	**32,868**	12,561
		1,732,532	1,539,553
Net current liabilities		**(1,727,049)**	(1,523,761)
Total assets less current liabilities		**(1,726,272)**	(1,522,629)
Non-current liability			
Finance lease payables	27	**–**	49
NET LIABILITIES		**(1,726,272)**	(1,522,678)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Capital and reserves			
Share capital	30	**194,600**	194,600
Reserves		**(1,919,340)**	(1,715,749)
Equity attributable to owners of the Company		**(1,724,740)**	(1,521,149)
Non-controlling interests		**(1,532)**	(1,529)
TOTAL EQUITY		**(1,726,272)**	(1,522,678)

Approved by the Board of Directors on 21 March 2013

Ng Kok Hong
Director

Ng Kok Tai
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Current assets			
Other receivable		**258**	257
Cash and bank balances		**23**	25
		281	282
Current liabilities			
Accruals and other payables		**8,063**	6,308
Amount due to a subsidiary	19	**3,362**	1,586
Financial guarantee liabilities	28	**1,110,158**	1,054,022
		1,121,583	1,061,916
NET LIABILITIES		**(1,121,302)**	(1,061,634)
Capital and reserves			
Share capital	30	**194,600**	194,600
Reserves	31	**(1,315,902)**	(1,256,234)
TOTAL EQUITY		**(1,121,302)**	(1,061,634)

Approved by the Board of Directors on 21 March 2013

Ng Kok Hong
Director

Ng Kok Tai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium account** HK$'000	**Merger reserve** HK$'000	**Foreign currency translation reserve** HK$'000	**Capital reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
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 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 and 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 year	**–**	**–**	**–**	**(2,194)**	**–**	**(203,228)**	**(205,422)**	**(3)**	**(205,425)**
Equity component of convertible loan	**–**	**–**	**–**	**–**	**1,831**	**–**	**1,831**	**–**	**1,831**
At 31 December 2012	**194,600**	**127,539**	**3,982**	**22,681**	**2,609**	**(2,076,151)**	**(1,724,740)**	**(1,532)**	**(1,726,272)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Cash flows from operating activities			
Loss before tax:		**(203,242)**	(178,012)
Adjustments for:			
Interest income		**(1)**	(12)
Finance costs		**162,989**	164,182
Depreciation of property, plant and equipment		**666**	1,116
Gains on disposals of property, plant and equipment		**(32)**	(555)
Gain on disposal of non-current asset held for sale		**–**	(10,255)
Property, plant and equipment written off		**–**	725
Reversal of impairment on inventories		**(981)**	(877)
Impairment on trade receivables		**447**	4,377
Impairment on prepayments, deposits and other receivables		**13,843**	5,670
Provision for financial guarantee liabilities		**31,139**	27,797
Gain on deconsolidation of a liquidating subsidiary	10	**(24,508)**	(29,107)
Operating loss before working capital changes		**(19,680)**	(14,951)
Decrease in inventories		**2,648**	4,585
Decrease in trade receivables		**1,649**	4,561
Increase in prepayments, deposits and other receivables		**(8,286)**	(2,019)
Increase/(decrease) in trade and bills payables		**8,183**	(13,393)
Decrease in accruals and other payables		**(9,243)**	(6,263)
Cash used in operations		**(24,729)**	(27,480)
Hong Kong profits tax paid		**(25)**	–
Hong Kong profits tax refunded		**–**	163
Overseas tax paid		**(120)**	(110)
Overseas tax refunded		**–**	2,224
Interest received		**1**	12
Interest paid		**(1,043)**	(496)
Net cash used in operating activities		**(25,916)**	(25,687)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(430)**	(680)
Proceeds from disposals of property, plant and equipment		**129**	1,702
Net cash inflows from deconsolidation of a liquidating subsidiary	10	**2,579**	26,551
Decrease in pledged bank deposits		**221**	27
Net cash generated from investing activities		**2,499**	27,600

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Cash flows from financing activities		
Repayment of bank borrowings	**–**	(863)
Repayment of finance lease payable	**(174)**	(450)
Proceed from issue of convertible loan	**20,000**	13,000
Net cash generated from financing activities	**19,826**	11,687
Net (decrease)/increase in cash and cash equivalents	**(3,591)**	13,600
Effect of changes in foreign exchange rates	**(2,504)**	4,469
Cash and cash equivalents at beginning of year	**(44,794)**	(62,863)
Cash and cash equivalents at end of year	**(50,889)**	(44,794)
Analysis of cash and cash equivalents		
Cash and bank balances	**678**	903
Bank overdrafts, secured	**(51,567)**	(45,697)
	(50,889)	(44,794)

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 have been 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. However, on 26 May 2011, the Stock Exchange informed the Company that this resumption proposal had not satisfactorily demonstrated sufficiency of operations or asset under Rule 13.24 of the Listing Rules and the Company had been placed in the second stage of delisting procedures commenced on 26 May 2011 pursuant to PN17.

2. BASIS OF PREPARATION (Continued)

SUSPENSION OF TRADING IN SHARES OF THE COMPANY (Continued)

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

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

Subsequently, on 4 December 2012, the Company has submitted another resumption proposal to the Stock Exchange, which involves, inter alia, the Company's proposed acquisition of the entire equity interest in Chongqing Fuling Julong Electric Power Co., Ltd ("Julong") (the"Proposed Acquisition"). Further details of the Proposed Acquisition are described in the Company's announcement dated 21 December 2012.

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.

By a notice dated 28 November 2012, Deloitte informed all relevant parties participating in the Standstill Agreement that the long stop date under the Standstill Agreement has been further extended from 30 September 2012 to 31 December 2012. Subsequently, by another notice dated 25 January 2013, Deloitte informed all the relevant parties in the Standstill Agreement that the long stop date has been further extended to 28 February 2013. The Company is currently seeking a further extension of the long stop date under the Standstill Agreement.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (Continued)

Pursuant to the side letter entered into between the Company and the Investor on 4 December 2012, the parties agreed, among other matters, to further extend the long stop date under the Subscription Agreement from 30 September 2012 to 28 February 2013. Subsequently, on 6 February 2013, the Company entered into another side letter with the Investor that the long stop date under the Subscription Agreement has been further extended to 30 September 2013.

On 4 December 2012, the Company also entered into side letters with each of the Lenders to, among other matters, extend the repayment dates under the respective Loan Agreements from 31 December 2012 to 28 February 2013. Subsequently, on 5 February 2013, the Company entered into additional side letters with the Lenders to further extend the repayment dates from 28 February 2013 to 30 September 2013.

The revised Proposed Restructuring involves, among other things, the proposed capital reorganisation, proposed creditor schemes and group reorganisation, and proposed subscription for new shares, proposed application for the granting of the whitewash waiver and the Proposed Acquisition. The completion of the revised Proposed Restructuring is conditional upon fulfilment of certain key conditions precedent which include, among other things, the passing of the resolutions by the shareholders of the Company at the extraordinary general meeting; the granting of the whitewash waiver by the Securities and Futures Commission of Hong Kong; the capital reorganisation becoming effective; and the submission of the Resumption Proposal to the Stock Exchange and the satisfaction of the conditions set out in the letter 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 revised 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, 14 February 2012 and 21 December 2012. (hereinafter referred to as the “Announcements”). The revised Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements in notes and paragraphs below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in those Announcements.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (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 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. The Hong Kong Scheme will become effective and legally binding on the Company and the Creditors upon (i) fulfillment of conditions as stipulated under the Hong Kong Scheme, including amongst others, fulfillment of the specified conditions precedent to the Subscription Agreement; and (ii) filing of the abovementioned order of the High Court with the Registrar of Companies in Hong Kong.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (Continued)

(b) Creditor Schemes (Continued)

On 28 April 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. 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.

(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

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, 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.

2. BASIS OF PREPARATION (Continued)

PROPOSED RESTRUCTURING OF THE GROUP (Continued)

(e) Acquisition of Julong

On 24 November 2012, the Company entered into the Term Sheet with CWCPI and the management shareholders of Julong ("Julong Management Shareholders") pursuant to which the Company proposed to acquire the entire equity interest in Julong at a consideration of approximately HK$680 million (subject to adjustments pursuant to the Term Sheet) to be satisfied through the issuance of the Consideration Shares. As previously announced by the Company on 16 September 2010 (prior to the entering into of the Term Sheet), the Subscription would result in the Investor becoming interested in approximately 95% of the voting rights of the Company. Pursuant to the Term Sheet and the Subscription Agreement (as amended and revised on 4 December 2012 to facilitate the transaction contemplated under the Term Sheet), upon completion of the Proposed Acquisition and the Subscription, the owners of the entire equity interest in Julong (the "Vendors") and the Investor will be interested in approximately 68% and 22% of the voting rights of the Company respectively. Based on the foregoing, the Investor will be interested in less than 30% of the voting rights of the Company upon completion of the Proposed Acquisition and the Subscription. The Investor will not apply to the Executive for any whitewash waiver. Further details of the Proposed Acquisition are described in the Company's announcement dated 21 December 2012 and 18 January 2013.

Subsequent to the Term Sheet, CWCPI has transferred its entire equity interest in Julong to 重慶涪陵能源實業集團有限公司 ("Energy Industry"). On 21 January 2013, the Company entered into the acquisition agreement with Energy Industry and the Julong Management Shareholders pursuant to which the Company proposed to acquire the Sale Equity Interests (representing the entire equity interest in Julong) at a consideration of HK$680 million to be satisfied through the issuance of the Consideration Shares.

The Proposed Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules and is therefore subject to the approval of the Independent Shareholders at the EGM and the Stock Exchange's approval of the Company's new listing application.

The information relating to the acquisition agreement as required under the Takeovers Code and the Listing Rules will be set out in a joint announcement to be issued by the Company and Energy Industry.

2. BASIS OF PREPARATION (Continued)

GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$203,228,000 (2011: HK$171,719,000) for the year ended 31 December 2012 and as at that date, the Group had net current liabilities of approximately HK$1,727,049,000 (2011: HK$1,523,761,000) and net liabilities of approximately HK$1,726,272,000.00 (2011: HK$1,522,678,000) respectively.

The condition above indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address the issues above, the Company had explored and negotiated with its creditors and potential investor for the aforesaid revised Proposed Restructuring of the Group.

The consolidated financial statements have been prepared on a going concern basis, as the Company has submitted the Resumption Proposal, the successful implementation of which will effect the principal elements of the revised Proposed Restructuring and allow the trading in the shares of the Company being resumed. The Directors are of the view that the major procedures of the revised Proposed Restructuring will eventually be agreed upon by the Company's Creditors, the Investor, the Lenders, the Vendors and 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 2012. 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 consolidated financial statements.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

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

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

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

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

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

BORROWINGS

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

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

FINANCIAL GUARANTEE CONTRACT LIABILITIES

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONVERTIBLE LOANS

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

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

TRADE AND OTHER PAYABLES

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

EQUITY INSTRUMENTS

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

REVENUE RECOGNITION

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

EMPLOYEE BENEFITS

(a) Employee leave entitlements

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

(b) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia and Indonesia, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby these subsidiaries are required to contribute to the Schemes to fund the retirements benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employees with reference to the salary scale, as stipulated under the requirements in respective countries. The governments of respective countries are responsible for the entire pension obligations payable to retired employees. The Schemes are defined contribution schemes. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to 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 (HK$25,000, with effect from 1 June 2012) 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.

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 except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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.

(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).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SEGMENT REPORTING

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

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

IMPAIRMENT OF ASSETS

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

GOING CONCERN BASIS

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment of assets

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

(b) Property, plant and equipment and depreciation

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

(c) Income tax

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Impairment loss for bad and doubtful debts

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

(e) Net realisable value of inventories

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

6. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, bills payables, 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(A) MARKET RISK

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("USD") and Euro ("EUR"). 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 2012, if HK$ had weakened or strengthened by 5% (2011: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK$3,233,000 (2011: HK$3,232,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade payables and bank borrowings in relation to the operation in Hong Kong.

Interest rate risk

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

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

At the end of the reporting period, if interest rates had been increased or decreased by 50 (2011: 50) basis points and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK$1,304,000 (2011: HK$1,336,000) mainly as a result of higher or lower interest expenses on floating rate borrowings.

6. FINANCIAL RISK MANAGEMENT (Continued)

(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 51% (2011: 12%) and approximately 78% (2011: 44%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

(C) LIQUIDITY RISK

The Group encounters difficulty in meeting its current obligations when they fall due. Most of the Group's debts would be repayable on demand or within one year as at 31 December 2012 and 2011 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 revised Proposed Restructuring, as further explained in note 2 to the consolidated 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 2012 and 2011 were mainly derived from its only operating segment of trading and distribution of mobile phones and related accessories.

Segment profits or losses do not include interest income, finance costs, 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 bank borrowings, finance 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.

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

	2012	2011
	HK$'000	HK$'000
Year ended 31 December:		
Revenue from external customers	**23,186**	58,602
Segment loss	**(40,254)**	(13,842)
Interest income	**1**	12
Interest expense	**162,989**	164,182
Depreciation	**666**	1,116
Income tax	**(11)**	(6,255)
Other material non-cash items:		
Reversal of impairment on inventories	**(981)**	(877)
Impairment on trade receivables	**447**	4,377
Impairment on prepayments, deposits and other receivables	**13,843**	5,670
Gain on disposal of non-current asset held for sale	**–**	(10,255)
Gain on disposal of property, plant and equipment	**(32)**	(555)
Additions to segment non-current assets	**430**	680
At 31 December:		
Segment assets	**6,260**	16,924
Segment liabilities	**1,169,964**	1,016,855

7. SEGMENT INFORMATION (Continued)

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

	2012 HK$'000	2011 HK$'000
Profit or loss:		
Total profit or loss of reportable segments	**(40,254)**	(13,842)
Unallocated profit or loss:		
Finance costs	**(162,989)**	(164,182)
Income tax	**11**	6,255
Interest income	**1**	12
Consolidated loss for the year	**(203,231)**	(171,757)
Assets:		
Total assets of reportable segments/total consolidated assets	**6,260**	16,924
Liabilities:		
Total liabilities of reportable segments	**1,169,964**	1,016,855
Unallocated liabilities		
Bank borrowings	**468,745**	480,040
Finance lease payables	**106**	280
Current tax liabilities	**1,913**	2,069
Financial guarantee liabilities	**58,936**	27,797
Convertible loans	**32,868**	12,561
Consolidated total liabilities	**1,732,532**	1,539,602

Geographical information:

	Revenue		Non-current assets	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Hong Kong	**14,314**	1,754	**368**	191
Malaysia	**1,606**	879	**–**	84
Indonesia	**7,266**	55,216	**409**	857
Vietnam	**–**	117	**–**	–
India	**–**	636	**–**	–
	23,186	58,602	**777**	1,132

7. SEGMENT INFORMATION (Continued)

Revenue for the year from two customers of the Group represents approximately HK$5,547,000 and HK$3,307,000 of the Group's total revenue respectively. Revenue for last year from another two customers of the Group represented approximately HK$12,034,000 and HK$10,746,000 of the Group's total revenue respectively.

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 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:

	2012 **HK$'000**	2011 HK$'000
Turnover from sales of mobile phones and related accessories, net	**23,186**	58,555
Other rental income	**–**	47
Total revenue	**23,186**	58,602

9. OTHER INCOME

	2012 **HK$'000**	2011 HK$'000
Compensation from insurance claim	**–**	870
Interest income	**1**	12
Exchange gains, net	**–**	10,200
Gain on disposal of property, plant and equipment	**32**	555
Gain on disposal of non-current asset held for sale	**–**	10,255
Sundry income	**109**	2,070
	142	23,962

10. 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.

	MDM **2012** **HK$'000**	EM* 2011 HK$'000
Net liabilities of the subsidiary deconsolidated:		
Prepayment, deposits and other receivables	**–**	158
Current tax assets	**–**	640
Cash and bank balances	**2**	90
Trade and bills payables	**(5,527)**	–
Accruals and other payables	**(112)**	(377)
Amounts due to the Group	**(23,137)**	(56,355)
Bank overdrafts	**(2,581)**	(26,641)
Bank borrowings	**(17,804)**	(1,156)
Net liabilities of the deconsolidated subsidiary	**(49,159)**	(83,641)
Impairment of amount due from the deconsolidated subsidiary	**23,137**	56,355
Release of the related foreign currency translation reserves	**1,514**	(1,821)
Gain on deconsolidation of a liquidating subsidiary	**(24,508)**	(29,107)

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

	MDM **2012** **HK$'000**	EM* 2011 HK$'000
Cash and cash equivalent deconsolidated:		
Cash and bank balances	**(2)**	(90)
Bank overdrafts	**2,581**	26,641
	2,579	26,551

* On 6 December 2011, Exquisite Model Sdn. Bhd. ("EM"), an indirect wholly-owned subsidiary of the Company, was wound up and that the official receiver of Malaysia be appointed as liquidator of EM. The Directors considered that the control over EM was 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.

11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expenses on borrowings and payables wholly repayable within five years		
– bank borrowings	**55,159**	58,602
– finance leases	**49**	55
– convertible loans	**3,181**	835
– trade payables	**104,600**	104,690
	162,989	164,182

12. INCOME TAX

	2012 HK$'000	2011 HK$'000
Current tax – Hong Kong profits tax:		
Provision for the year	**–**	37
Over provision in prior year	**(11)**	–
Deferred tax	**–**	(6,292)
	(11)	(6,255)

No provision for Hong Kong profits tax and overseas tax has been made for the year, as the Group has no estimated assessable profits arising in Hong Kong and overseas. Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits for last year.

12. INCOME TAX (Continued)

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

	2012 **HK$'000**	2011 HK$'000
Loss before tax:	**(203,242)**	(178,012)
Calculated at a domestic tax rate of 16.5% (2011: 16.5%)	**(33,535)**	(29,372)
Effect of different tax rates in other countries	**527**	113
Income not subject to tax	**(4,038)**	(8,262)
Expenses not deductible for tax purpose	**25,136**	26,762
Over provision in prior year	**(11)**	–
Reversal of temporary difference	**–**	(6,292)
Tax losses not recognised	**11,910**	10,796
	(11)	(6,255)

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK$2,311,231,000 (2011: HK$2,324,910,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of the Group.

13. LOSS FOR THE YEAR

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

	2012 HK$'000	2011 HK$'000
Cost of inventories sold	**23,004**	54,387
Auditors' remuneration:	**745**	744
Depreciation of property, plant and equipment	**666**	1,116
Operating leases:		
– land and buildings	**749**	1,292
– office equipment	**16**	56
Property, plant and equipment written off*	**–**	725
Impairment on trade receivables**	**447**	4,377
Impairment on prepayments, deposits and other receivables*	**13,843**	5,670
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**6,092**	9,182
– retirement benefits scheme contributions	**109**	368
	6,201	9,550
Exchange losses/(gains)*	**4,962**	(10,200)
Gains on disposals of property, plant and equipment*	**(32)**	(555)
Gain on disposal of non-current asset held for sale*	**–**	(10,255)
Reversal of impairment on inventories# (included in cost of inventories sold)	**(981)**	(877)

* 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$59,668,000 (2011: HK$95,351,000).

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each Director for the year ended 31 December 2012 is set out below:

	Salary	**Retirement benefit costs**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Executive Directors:			
Ng Kok Hong	**1,020**	**14**	**1,034**
Ng Kok Tai	**51**	**6**	**57**
Ng Kok Yang	**–**	**–**	**–**
	1,071	**20**	**1,091**

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

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

During the year ended 31 December 2012, 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$3,010,000 (2011: HK$3,593,000), HK$1,899,000 (2011: HK$963,000) and HK$2,470,000 (HK$2,470,000). Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

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:

	2012 HK$'000	2011 HK$'000
Directors	**1,034**	1,106
Employees	**2,146**	2,743
	3,180	3,849

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

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefit-in-kind	**2,104**	2,616
Retirement benefit costs	**42**	127
	2,146	2,743

Save as disclosed above, for the two years ended 31 December 2012 and 2011, 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 2012 (2011: 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$203,228,000 (2011: HK$171,719,000) and the weighted average number of 1,945,996,565 (2011: 1,945,996,565) ordinary shares in issue during the year.

(B) DILUTED LOSS PER SHARE

No diluted loss per share is presented as the exercise of the Group's outstanding convertible loans would be anti-dilutive for both years. There were no dilutive potential ordinary shares for the Company's outstanding share options for the year ended 31 December 2011.

18. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 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 and 1 January 2012	**658**	**1,198**	**14,079**	**15,935**
Additions	**26**	**–**	**404**	**430**
Disposals	**–**	**(205)**	**(18)**	**(223)**
Written off during the year	**(151)**	**–**	**–**	**(151)**
Exchange differences	**(32)**	**(16)**	**(68)**	**(116)**
At 31 December 2012	**501**	**977**	**14,397**	**15,875**
Accumulated depreciation:				
At 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 and 1 January 2012	**503**	**793**	**13,507**	**14,803**
Charge for the year	**132**	**181**	**346**	**659**
Disposals	**–**	**(122)**	**(4)**	**(126)**
Eliminated on written off	**(151)**	**–**	**–**	**(151)**
Exchange differences	**(28)**	**(11)**	**(48)**	**(87)**
At 31 December 2012	**456**	**841**	**13,801**	**15,098**
Carrying amount:				
At 31 December 2012	**45**	**136**	**596**	**777**
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$136,000 (2011: HK$405,000).

19. INVESTMENTS IN SUBSIDIARIES

	Notes	Company 2012 HK$'000	Company 2011 HK$'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)	**3,362**	1,586

Notes:

(a) Particulars of principal subsidiaries are set out in note 35 to the consolidated financial statements.

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

(c) At 31 December 2012 and 2011, the Directors performed an impairment assessment 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 (2011: HK$233,433,000) against the investments in subsidiaries and approximately HK$339,266,000 (2011: HK$339,266,000) were made against the amount due from a subsidiary at the end of the reporting period.

20. INVENTORIES

	Group 2012 HK$'000	Group 2011 HK$'000
Merchandises	**3,675**	12,767
Less: Impairments	**(3,601)**	(10,924)
	74	1,843

21. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 30 days (2011: 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	
	2012	2011
	HK$'000	HK$'000
1-30 days	**173**	2,444
31-60 days	**21**	371
61-90 days	**–**	275
91-120 days	**21**	70
Over 120 days	**1,239,000**	1,238,645
Less: Impairments	**(1,238,347)**	(1,238,654)
	868	3,151

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

	Group	
	2012	2011
	HK$'000	HK$'000
31-60 days	**–**	371
61-90 days	**–**	275
91-120 days	**–**	61
Over 120 days	**847**	–
	847	707

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$1,238,347,000 (2011: HK$1,238,654,000) were impaired. The individually impaired trade receivables mainly related to customers that had prolonged their repayment due to unexpected financial difficulties.

21. TRADE RECEIVABLES (Continued)

Movements on the impairment of trade receivables are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**1,238,654**	1,239,653
Impairments for the year	**447**	4,377
Deconsolidation of a liquidating subsidiary	**(129)**	–
Exchange differences	**(625)**	(5,376)
At 31 December	**1,238,347**	1,238,654

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

	Group	
	2012	2011
	HK$'000	HK$'000
HK$	**1,223,143**	1,223,528
RM	**2,755**	2,788
USD	**2,646**	573
IDR	**1,439**	5,504
Singapore Dollar	**2,714**	1,357
New Taiwan Dollar	**573**	2,601
Vietnam Dong ("VND")	**2,901**	2,978
Philippine Peso ("P$")	**3,044**	2,476
	1,239,215	1,241,805

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Prepayments	**258**	1,436
Deposits and other receivables	**24,571**	20,018
	24,829	21,454
Less: Impairments	**(20,966)**	(11,772)
	3,863	9,682

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$20,966,000 (2011: HK$11,772,000) 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.

23. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	Group	
	2012	2011
	HK$'000	HK$'000
Pledged bank deposits	**–**	213
Cash and bank balances	**678**	903
	678	1,116

At 31 December 2011, 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. The bank balances and pledged deposits were deposited with creditworthy banks with no recent history of default.

23. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES (Continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
RM	**357**	583
HK$	**192**	344
IDR	**124**	184
Others	**5**	5
	678	1,116

24. TRADE AND BILLS PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade payables	**435,603**	434,302
Bills payables	**110,643**	109,288
	546,246	543,590

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

	Group	
	2012	2011
	HK$'000	HK$'000
1-30 days	**9**	252
31-60 days	**16**	–
61-90 days	**178**	–
91-120 days	**–**	–
Over 120 days	**435,400**	434,050
	435,603	434,302

Included in the trade payables at the end of the reporting period, approximately HK$406,589,000 (2011: HK$405,432,000) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain trade insurance companies. Included in the guaranteed trade payables, approximately HK$344,500,000 (2011: HK$344,500,000) and approximately HK$62,089,000 (2011: HK$60,933,000) of which were interest-bearing at approximately 2.5% per month and at approximately 1.95% per annum respectively.

24. TRADE AND BILLS PAYABLES (Continued)

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 8.29% (2011: 8.28%) per annum.

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

	Group	
	2012	2011
	HK$'000	HK$'000
USD	**405,374**	403,240
EUR	**61,808**	60,933
RM	**54,190**	55,360
HK$	**13,159**	12,785
INR	**1,522**	1,575
VND	**7,956**	7,783
Others	**2,237**	1,914
	546,246	543,590

25. ACCRUALS AND OTHER PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Interest payables	**487,193**	342,004
Accrual	**54,861**	56,755
Other payables	**81,664**	74,506
	623,718	473,265

Included in the interest payables at the end of the reporting period, approximately HK$113,102,568 (2011: HK$89,149,000) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain banks.

26. BANK BORROWINGS

	Group	
	2012	2011
	HK$'000	HK$'000
Bank loans, secured	**417,178**	434,343
Bank overdrafts, secured	**51,567**	45,697
	468,745	480,040

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

	Group	
	2012	2011
	HK$'000	HK$'000
USD	**195,560**	196,251
HK$	**204,844**	203,209
RM	**65,638**	77,877
EUR	**2,703**	2,703
	468,745	480,040

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

	Bank loans		Bank overdrafts	
	2012	2011	**2012**	2011
USD	**5.7%**	5.7%	**–**	6.0%
HK$	**4.3%**	4.3%	**5.9%**	5.9%
RM	**7.6%**	8.2%	**9.1%**	9.1%
EUR	**4.4%**	4.4%	**–**	–

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

27. 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 2012 HK$'000	Minimum lease payments 2011 HK$'000	**Present value of minimum lease payments 2012 HK$'000**	Present value of minimum lease payments 2011 HK$'000
Amounts payable:				
Within one year	**130**	232	**106**	231
In the second to fifth years, inclusive	**–**	49	**–**	49
Total minimum finance lease payments	**130**	281	**106**	280
Future finance charges	**(24)**	(1)		
Total net finance lease payables	**106**	280		
Portion classified as current liabilities	**(106)**	(231)		
Non-current portion	**–**	49		

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average remaining lease term is 1-2 years. At the end of the reporting period, the average effective borrowing rate was 3.9 % (2011: 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.

28. 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 for the general banking facilities of EM and MDM totaling approximately HK$58,936,000. In view that EM and MDM are currently in liquidation, and on ground that the potential claims of these corporate guarantees granted by the Company and FMGSB may be exercised by the relevant banks, a provision for financial guarantee liabilities of approximately HK$58,936,000 have been made against the potential uncovered exposures to be borne by the Company and FMGSB under such guarantees.

28. FINANCIAL GUARANTEE LIABILITIES (Continued)

COMPANY

At 31 December 2012, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the former largest supplier of the Group to secure for the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK$1,110,158,000 (2011: HK$1,054,022,000) 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 trade payables and 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$1,110,158,000 (2011: HK$1,054,022,000) 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.

29. CONVERTIBLE LOANS

(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”).

The Time Boomer Loan shall be initially repayable in full by 31 December 2012 (see Note below) 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 12.01% 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.

29. CONVERTIBLE LOANS (Continued)

(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 initially repayable in full on 31 December 2012 (see Note below) 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 10.35% per annum to the liability component.

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:

	Convertible Loans - Group		
	Time Boomer	**First Apex**	**Total**
	HK$'000	HK$'000	HK$'000
Nominal value of convertible loan issued	13,000	–	13,000
Less: initial equity component	(778)	–	(778)
Liability component subtotal	12,222	–	12,222
Interest charged	835	–	835
Interest paid	(496)	–	(496)
Liability component at 31 December 2011 and 1 January 2012	**12,561**	**–**	**12,561**
Nominal value of convertible loan issued	**–**	**20,000**	**20,000**
Less: initial equity component	**–**	**(1,831)**	**(1,831)**
Liability components subtotal	**12,561**	**18,169**	**30,730**
Interest charged	**1,458**	**1,723**	**3,181**
Interest paid	**(1,043)**	**–**	**(1,043)**
Liability components at 31 December 2012	**12,976**	**19,892**	**32,868**

30. SHARE CAPITAL

	Company Number of ordinary shares HK$0.10 each	HK$'000
Authorised:		
At 31 December 2011 and 2012	**3,000,000,000**	**300,000**
Issued and fully paid:		
At 31 December 2011 and 2012	**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 2012 and 2011.

The capital structure of the Group consists of debt, which includes bank borrowings, finance lease payables, financial guarantee liabilities and convertible loans as disclosed in notes 26, 27, 28 and 29 to the consolidated financial statements, 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 other borrowings, financial guarantee liabilities and convertible loans but excluding trade and bills payables, accruals and other payables and tax payables as shown in the consolidated statement of financial position).

The gearing ratios at 31 December 2012 and 2011 were as follows:

	Group 2012 HK$'000	2011 HK$'000
Total borrowings	**560,655**	520,678
Total assets	**6,260**	16,924
Gearing ratio	**8,956%**	3,077%

30. SHARE CAPITAL (Continued)

CAPITAL MANAGEMENT (Continued)

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

31. RESERVES

(A) GROUP

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

(B) COMPANY

	Share premium	Capital reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 January 2012	**287,281**	**–**	**(1,543,515)**	**(1,256,234)**
Loss for the year	**–**	**–**	**(59,668)**	**(59,668)**
At 31 December 2012	**287,281**	**–**	**(1,603,183)**	**(1,315,902)**

(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.

31. RESERVES (Continued)

(C) NATURE AND PURPOSE OF RESERVES (Continued)

(ii) Merger reserve

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

(iii) Capital reserve

The capital reserve comprises (a) the fair value of the number of unexercised share options granted to employees of the Company recognised in previous years and (b) the equity component of the convertible loan issued by the Group which is the difference between the gross proceeds of the issue of the convertible loans and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note into equity.

(iv) Foreign currency translation reserve

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

32. MAJOR NON-CASH TRANSACTION

During last 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.

33. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2012	2011
	HK$'000	HK$'000
Within one year	**277**	689
In the second to fifth years, inclusive	**26**	131
	303	820

34. EVENTS AFTER THE REPORTING PERIOD

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

(b) A writ of summons dated 13 February 2013 was served on FMGSB on 15 February 2013. The plaintiff, Raja, Darryl & Loh claimed against FMGSB for outstanding bills with interests thereon in aggregate of approximately Malaysian Ringgit 88,000 (equivalent to approximately HK$224,000). In the opinion of the Directors, adequate provision has been made against the aforesaid claim at the end of the reporting period.

35. 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 2012	2011	Principal activities
Direct subsidiary:					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding
Indirect subsidiaries:					
é-Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	**95%**	95%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P$1 each	**100%**	100%	Inactive
First Mobile Group Sdn. Bhd.	Malaysia	500,000 ordinary shares of RM1 each	**100%**	100%	Inactive

35. 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 2012	2011	Principal activities
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%**	100%	Trading of mobile phones
Mobile Distribution Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Trading of mobile phones
Mobileperformances SARL	France	850 shares of 10 EUR each	**100%**	100%	Inactive
Multi Brand Telecom Services Trade Joint Stock Company	Vietnam	Vietnam Dong 2,000,000,000	**90%**	90%	Inactive
Precision SARL	France	850 shares of 10 EUR each	**100%**	100%	Inactive
PT. Comworks Indonesia	Indonesia	330,000 shares of USD1 each	**100%**	100%	Trading and distribution of mobile phones and related accessories

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 March 2013.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATION					
Revenue	**23,186**	58,602	189,544	3,106,161	7,115,314
(Loss)/profit before tax	**(203,242)**	(178,012)	(158,081)	(2,125,822)	81,265
Income tax	**11**	6,255	(2,253)	(10,855)	(29,260)
(Loss)/profit for the year from continuing operation	**(203,231)**	(171,757)	(160,334)	(2,136,677)	52,005
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**–**	–	–	(27,927)	(10,966)
(Loss)/profit for the year	**(203,231)**	(171,757)	(160,334)	(2,164,604)	41,039
Attributable to:					
Owners of the Company	**(203,228)**	(171,719)	(158,823)	(2,164,419)	40,953
Non-controlling interests	**(3)**	(38)	(1,511)	(185)	86
	(203,231)	(171,757)	(160,334)	(2,164,604)	41,039

ASSETS AND LIABILITIES	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**777**	1,132	3,450	60,129	95,946
Current assets	**5,483**	15,792	50,911	132,734	2,823,309
Current liabilities	**(1,732,532)**	(1,539,553)	(1,402,198)	(1,380,380)	(1,934,738)
Non-current liabilities	**–**	(49)	(6,681)	(6,974)	(11,251)
Net (liabilities)/assets	**(1,726,272)**	(1,522,678)	(1,354,518)	(1,194,491)	973,266
Attributable to:					
Owners of the Company	**(1,724,740)**	(1,521,149)	(1,353,026)	(1,194,491)	973,095
Non-controlling interests	**(1,532)**	(1,529)	(1,492)	–	171
Total equity	**(1,726,272)**	(1,522,678)	(1,354,518)	(1,194,491)	973,266

FIRST MOBILE GROUP HOLDINGS LIMITED
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