



# FIRST MOBILE GROUP HOLDINGS LIMITED

## 第一電訊集團有限公司

Stock Code : 865  
股票代號 : 865

ANNUAL REPORT 2013  
二零一三年年報

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# Corporate Information

## BOARD OF DIRECTORS

NG KOK HONG  
NG KOK TAI  
NG KOK YANG

## COMPANY SECRETARY

CHOY MAN SAU (*resigned on 9 April 2014*)

## REGISTERED OFFICE

P.O. BOX 10008, WILLOW HOUSE  
CRICKET SQUARE  
GRAND CAYMAN KY1-1001, CAYMAN ISLANDS

## 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.HK](http://WWW.FIRSTMOBILE.COM.HK)

## AUDITOR

ZHONGHUI ANDA CPA LIMITED

## LEGAL ADVISER AS TO HONG KONG LAW

TROUTMAN SANDERS  
34/F, TWO EXCHANGE SQUARE  
8 CONNAUGHT PLACE  
CENTRAL  
HONG KONG

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

ROYAL BANK OF CANADA TRUST COMPANY  
(CAYMAN) LIMITED  
*(ceased services since May 2014)*  
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  
LEVEL 22, HOPEWELL CENTRE  
183 QUEEN'S ROAD EAST  
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 2013 ("FY2013").

## **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 (collectively the "Schemes") 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.



# Chairman's Statement

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 had on 4 December 2012 submitted another revised resumption proposal to the Stock Exchange which involved, among other things, the Company's 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 "Original Proposed Acquisition"). The Original Proposed Acquisition constitutes a very substantial acquisition, a reverse takeover and a connected transaction for the Company under the Listing Rules, and the Stock Exchange will treat the Company proposing the said reverse takeover as if it were a new listing applicant. Further details on, among other things, the Original Proposed Acquisition and proposed submission of a new listing application to the Stock Exchange were set out in the Company's announcements dated 21 December 2012, 18 January 2013, 13 May 2013, 24 June 2013, 19 July 2013, 23 August 2013, 27 September 2013, 2 December 2013, 9 January 2014 and 26 February 2014.

On 24 April 2014, the Company announced that given the substantial effort already spent in resolving the regulatory issues identified in relation to the Original Proposed Acquisition and the lack of results so far, the Directors considered that it was not in the interests of the Company and its Shareholders as a whole to continue with the Original Proposed Acquisition, for the purpose of seeking a resumption of trading of the shares.

To continue with the resumption proposal, the Company had identified a new target company and on 31 March 2014 entered into an acquisition agreement (the "Acquisition Agreement") with its shareholders (the "Vendors"), pursuant to which the Company will acquire the entire equity interest in the target company, China General (HK) Company Limited ("China General"), from the Vendors (the "Proposed Acquisition"). China General, upon completion of its group reorganisation, will hold interest in certain real estate projects in Yangzhou, Jiangsu Province and Quanzhou, Fujian Province in the People's Republic of China (the "Target Group"). Pursuant to the Acquisition Agreement, the Company will carry out the proposed restructuring which will now comprise the proposed capital reorganisation and creditors schemes, the proposed open offer, the proposed subscription, the proposed acquisition, reverse takeover involving a new listing application, application for a whitewash waiver and the proposed disposal of the three companies together with their subsidiaries within the Group (the "Amended Proposed Restructuring"). Further details on, among other things, the Proposed Acquisition and the Amended Proposed Restructuring were set out in the Company's announcements dated 24 April 2014 and 22 August 2014 and circular dated 29 February 2016.

# Chairman's Statement

The Company had on 12 September 2014 announced that the Company received a letter dated 11 September 2014 from the Listing (Review) Committee (the "LRC Letter"), which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a new listing application relating to the Target Group (the "Proposal"), and not any other proposal. The LRC Letter also stated that no further extensions of time will be granted to the Company, and the Listing (Review) Committee further decided to cancel the listing of the Shares on the Stock Exchange should the Company fail to do the above by 31 October 2014 or the Proposal fail to proceed for any reasons.

As stated in the Company's announcements dated 31 October 2014, 30 December 2014, 30 April 2015, 30 October 2015 and 31 December 2015 respectively, the Company has made a new listing application relating to the Target Group to the Stock Exchange on 30 October 2014. As stated in the Company's announcement dated 29 February 2016, the Stock Exchange approved in principle the said new listing application on 26 February 2016.

In view of the developments of the restructuring of the Company since the High Court and Grand Court first sanctioned the Schemes in 2011, the Company put forward an amended scheme ("Amended Scheme") in order to align the terms of the Schemes with the Proposed Restructuring as approved by the Listing (Review) Committee, which was unanimously approved by the creditors attending and voting in person or by proxy at the scheme meeting held on 9 August 2016 and sanctioned by the Cayman Court on 18 August 2016. Hearing of the petition to sanction the Amended Scheme by the High Court has been scheduled on 23 September 2016.

## LOOKING AHEAD

The Company considers that the Amended Proposed Restructuring 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 of the Amended Proposed Restructuring 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, and business partners for your continued support and understanding through this difficult and challenging period.

**Ng Kok Hong**  
*Executive Chairman*

Hong Kong, 26 September 2016

# Management Discussion and Analysis

## BUSINESS REVIEW

During the financial year under review, the Group ceased operations.

## FINANCIAL REVIEW

The decrease in turnover is due to the scale-down of operations of the Group.

The Group recorded an other income of approximately HK\$4.3 million for FY2013, representing an increase of approximately HK\$4.1 million compared to FY2012 mainly due to the reversal of impairment on other receivables.

The Group's general and administrative expenses increased by approximately HK\$4.6 million compared to FY2012 mainly due to the increase in professional fees for restructuring exercise during the year.

The Group's other operating expenses decreased by 59.82% from approximately HK\$18.8 million in FY2012 to approximately HK\$7.6 million in FY2013 mainly due to the decrease in impairment on trade and other receivables.

Finance costs increased by approximately HK\$3.6 million compared to FY2012 mainly due to the increase in finance cost of bank borrowings.

The Group's provision for financial guarantee liabilities for FY2012 was mainly due to the provision for potential claims (comprising principal and interest) under the corporate guarantee granted to a wholly-owned subsidiary which was deconsolidated from the Group's consolidated financial statements with effect from 14 February 2012.

The loss attributable to owners of the Company was approximately HK\$188.9 million for FY2013, representing loss per share of HK9.71 cents as compared to a loss of approximately HK\$203.2 million for FY2012, representing loss per share of HK10.44 cents.

## SEGMENT INFORMATION

The Group has no revenue generated for FY2013.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, bank and cash balances of the Group were approximately HK\$0.45 million (2012: HK\$0.68 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2013 was 60,554% (2012: 8,956%).

As at 31 December 2013, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (2012: secured by the corporate guarantees granted by the Company).

# Management Discussion and Analysis

## ASSETS AND LIABILITIES

As at 31 December 2013, the Group had total assets of approximately HK\$942,000 (2012: HK\$6,260,000), total liabilities of approximately HK\$1,905 million (2012: HK\$1,733 million). The net liabilities of the Group as at 31 December 2013 were HK\$1,904 million (2012: HK\$1,726 million).

## SIGNIFICANT INVESTMENTS AND ACQUISITION

The Group did not have any significant investment nor did it make any material acquisition or disposal of subsidiaries and associates throughout the year ended 31 December 2013.

## CHARGES ON GROUP ASSETS

The Group had no other charge as at 31 December 2013 and 2012 except for the charge by Time Boomer and First Apex. Details are set out in note 28 to the consolidated financial statements.

## RESERVES

As at 31 December 2013, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 30(B) to the consolidated financial statements and in the consolidated statement of changes in equity for the year then ended, respectively.

## 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 2013 and 2012.

## CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31 December 2013 and 2012.

## EMPLOYEES

As at 31 December 2013, the Group had 9 (2012: 11) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2013 amounted to approximately HK\$3.2 million (2012: HK\$6.2 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.



# Profile of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. NG Kok Hong**, aged 50, 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 53, 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 46, 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 46, Senior Vice President 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. Mr. Wong has left the Group in April 2016.

**Ms. CHOY Man Sau**, aged 36, 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 thirteen years of experience in accounting and financial management. Ms. Choy has resigned from the Company on 9 April 2014.

# 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 2013.

## 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 33 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 statement of profit or loss and other comprehensive income on page 28. The Directors do not recommend the payment of any dividend for the year ended 31 December 2013.

## 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 30(B) to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

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

## BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2013 are set out in note 25 and 26 to the consolidated financial statements.

## SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 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.

# Directors' Report

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2013, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

## **PRE-EMPTIVE RIGHTS**

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

## **DIRECTORS**

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

### **EXECUTIVE DIRECTORS**

Mr. Ng Kok Hong  
Mr. Ng Kok Tai  
Mr. Ng Kok Yang

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

There 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 2013, the executive Directors are not entitled to any discretionary bonus for the year ended 31 December 2013 (2012: nil).

# Directors' Report

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 2013, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

### SHARES IN THE COMPANY

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

Notes:

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

# Directors' Report

## SHARES IN AN ASSOCIATED CORPORATION

| Name of Director | Number of non-voting deferred shares<br>of HK\$1.00 each in<br>First Telecom International Limited |                               |           |
|------------------|--|-------------------------------|-----------|
|                  | Personal<br>interests  | Family<br>interests<br>(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 2013, 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 (AS OF 31 DECEMBER 2013)

### CHONGQING FULING ENERGY INDUSTRY GROUP CO., LTD 重慶涪陵能源實業集團有限公司 (“ENERGY INDUSTRY”)

On 24 November 2012, the Company entered into the term sheet (the “Term Sheet”) with 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 (“CWCP”) 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 issue of the Consideration Shares (the “Original Proposed Acquisition”).

Subsequent to the Term Sheet, CWCP has transferred its entire equity interest in Julong to Energy Industry.



# Directors' Report

On 21 January 2013, the Company entered into the acquisition agreement with Energy Industry and the Julong Management Shareholders for the Original Proposed Acquisition (the "Original Acquisition Agreement") (as amended by the Supplemental Agreement dated 22 March 2013 and 30 July 2013), pursuant to which the Company agreed to acquire 57.55% equity interest in Julong at a consideration of HK\$391.34 million to be satisfied by the allotment and issue of a number of consideration shares credited as fully paid, following which Energy Industry is deemed to be interested in 1,964,896,415 adjusted issued shares of the Company.

On 31 March 2014, the Company terminated the Original Acquisition Agreement.

## **JINWU LIMITED**

On 27 August 2010, the Company entered into a subscription agreement (the "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.

Pursuant to the Term Sheet and the Subscription Agreement (as amended and revised on 4 December 2012 and 6 February 2013 to facilitate the transaction contemplated under the Term Sheet and the Acquisition Agreement), the Investor will subscribe for 1,337,264,151 shares (instead of 925,714,285 shares), following which Jinwu is deemed to be interested in approximately 22.01% of the adjusted issued shares of the Company.

As at the date of this report, Jinwu is a special purpose investment company owned by Daxin Investment Fund, being an investment fund established under the laws of the Cayman Islands, managed by Greater China Capital Limited. Greater China Capital Limited is an investment advisory firm established under the laws of Hong Kong.

## **DECENT GLORY LIMITED ("DECENT GLORY")**

On 22 March 2013, the Company entered into the option agreement with Apex Ocean Holdings Limited ("Apex Ocean") (the "Option Agreement"), pursuant to which Apex Ocean has agreed to grant to the Company a call option to purchase 42.45% equity interest in Julong at a consideration of HK\$288.66 million to be satisfied by the allotment and issue of a number of consideration shares credited as fully paid. On 10 April 2013, the Company issued a notice exercising the option.

The Company had, on 30 July 2013, further entered into (i) the Deed of Termination with Apex Ocean to terminate the Option Agreement; (ii) the sale and purchase agreement with Decent Glory in respect of the acquisition of the entire issued share capital of Apex Ocean (in place of the arrangement to acquire the remaining equity interest of Julong through the Option Agreement) at a consideration of HK\$288.66 million, the entire amount of which would be satisfied by the allotment and issue of a number of consideration shares credited as fully paid, following which Decent Glory is deemed to be interested in 1,754,150,428 adjusted issued shares of the Company.

# Directors' Report

Apex Ocean is a limited liability company incorporated in Hong Kong and is wholly-owned by Decent Glory, a company incorporated in the British Virgin Islands whose shares are owned as to 50% by each of Mr. Yang Chengyuan and Mr. Qian Feng.

On 31 March 2014, the Company terminated the sale and purchase agreement with Decent Glory.

## **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).

# Directors' Report

First Apex is a limited liability company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Benjamin Kumar Sharma, 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 2013, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## COMPETING INTEREST

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

## MATERIAL LITIGATION

Legal claims were served on a wholly-owned subsidiary of the Company in Malaysia during the year ended 31 December 2013. Further details of the case are set out in the announcements of the Company dated 1 March 2013, 19 April 2013, 9 May 2013, 25 July 2013 and 22 October 2013.

In the opinion of the Directors, adequate provision has been made against the aforesaid claims at the end of the financial year ended 31 December 2013.

## 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

There were no sales and purchases during the year.

## CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 17 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.



# Directors' Report

## AUDITOR

The accompanying financial statements have been audited by ZHONGHUI 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, 26 September 2016

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company's code on corporate governance practices is modelled after and adopted by reference to the provisions of the Code on Corporate Governance Practices (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").

To the best of knowledge of the Directors, the Company has complied with the code provisions as set out in the CG Code throughout the financial year ended 31 December 2013 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 2013. 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 2013 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.



# Corporate Governance Report

## 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 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 2013, six Board meetings were held. The Directors' attendance at Board meetings held during the year is set out below:

|   | <b><u>Attendance/<br/>No. of meeting held</u></b> |
|---|---|
| <b>Executive Directors</b>                          |   |
| Mr. Ng Kok Hong ( <i>Executive Chairman</i> )       | 6/6   |
| Mr. Ng Kok Tai ( <i>Executive Deputy Chairman</i> ) | 6/6   |
| Mr. Ng Kok Yang ( <i>Chief Executive Officer</i> )  | 4/6   |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

# Corporate Governance Report

## **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 2013 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 2013.

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

# Corporate Governance Report

## **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 2013, 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 resumption proposal, the successful implementation of which will effect, including but not limited to, the Creditor Schemes and the Subscription Agreement to settle with the Company's 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 Amended 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, the Vendors, the Company's shareholders and any other parties concerned, 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 2013, 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 was Ms. Choy Man Sau during the year. The Company Secretary assisted the Board by ensuring good information flow within the Board and that Board policy and procedures were followed.

## **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 Friday, 24 May 2013 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.

# Corporate Governance Report

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

The Board has overall responsibility for reviewing the effectiveness of the system of internal controls of the Group. During the year, the Board had not carried out any assessment of the effectiveness of the Group's internal control system.

## AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the professional fees paid or payable to the Company's independent auditor, ZHONGHUI ANDA CPA Limited, in respect of annual audit services and non-audit services amounted to approximately HK\$496,000 and HK\$1,180,000 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.hk](http://www.firstmobile.com.hk) 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 Level 22, Hopewell Centre, 183 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 28 to 79, which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.



# Independent Auditor's Report

## BASIS FOR DISCLAIMER OF OPINION

### 1. NO ACCESS TO ACCOUNTING BOOKS AND RECORDS OF A SUBSIDIARY IN LIQUIDATION

At the adjourned hearing of the Winding-up Petition on 5 February 2014, the Shah Alam High Court in Malaysia ordered among other things that the Company's wholly-owned subsidiary, First Mobile Group Sdn. Bhd. ("FMGSB"), be wound up and that the Official Receiver of Malaysia be appointed as the provisional liquidator of FMGSB, as a result the directors and the staff of the Company were not able to access the documents, accounting books and records of FMGSB.

The consolidated financial statements have been prepared based on the accounting books and records maintained by the Company and its subsidiaries. In view of the circumstances as described in the preceding paragraph, the Directors have lost the access to have accounting books and records of FMGSB as presented below included in the Group's financial statements for the year ended 31 December 2013.

Due to the insufficiency of supporting documentation and explanations, we are unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the year ended 31 December 2013 and the assets and liabilities as at that date, and the related disclosure notes relating to FMGSB, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements.

#### Income and expenses:

General and administrative expenses  
Other operating expenses  
Finance costs

Loss for the year

| For the year<br>ended<br>31 December<br>2013<br>HK\$'000 |
|--|
| 252  |
| 3,452  |
| 15,045   |
| 18,749   |

# Independent Auditor's Report

|   | <b>As at<br/>31 December<br/>2013<br/>HK\$'000</b> |
|---|--|
| <b>Assets and liabilities:</b>              |  |
| Prepayments, deposits and other receivables | 16   |
| Bank and cash balances                      | 23   |
| Trade and bills payables                    | (105,850)  |
| Accruals and other payables                 | (6,089)  |
| Bank borrowings                             | (72,751)   |
| Net liabilities                             | <b>(184,651)</b>                                   |

We are also unable to obtain sufficient reliable evidence to satisfy ourselves as to whether the Group has any significant contingent liabilities and commitments as at 31 December 2013 in respect of FMGSB that need to be adjusted for or disclosed in the consolidated financial statements.

## 2. FINANCIAL GUARANTEE LIABILITIES

Due to no access to accounting books and records of the FMGSB, we are unable to carry out audit procedures to satisfy ourselves as to whether the financial guarantee liabilities of approximately HK\$58,936,000 included in the consolidated and Company statements of financial positions have been accurately recorded and properly accounted for in the consolidated financial statements.

## 3. EVENTS AFTER THE END OF THE REPORTING PERIOD

As further described in note 2 to the consolidated financial statements, subsequent to the end of the reporting period, the Group has been actively undergoing the restructuring exercise, including but not limited to creditors schemes and reverse takeover involving a new listing application, up to the date of the approval of these consolidated financial statements.

# Independent Auditor's Report

Given the background that (i) the Group has only maintained limited business and operating activities since 2013 and (ii) the creditors, investor, lenders, vendors, and any other parties concerned for the Amended Proposed Restructuring have been actively procuring the arrangement of compromising the restructuring debts in accordance with the execution and completion of a series of restructuring procedures under the ongoing Amended Proposed Restructuring, the Directors considered that they have inherent difficulties to update and ascertain the appropriateness of certain amounts of the consolidated income and expenses as recorded in the consolidated statement of profit or loss and other comprehensive income and certain carrying amounts of liabilities as reflected in the consolidated and Company's statements of financial position apart from those limitations already stated in points 1 and 2 above (the aforesaid restructuring indebtedness of the restructured group and the Company shall be released upon the completion of the Amended Proposed Restructuring). In this regard, we are unable to satisfy ourselves as to the uncertainty on the accounting treatment of the Company's control over certain subsidiaries of the Group in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" and the consequential appropriateness of the consolidation of these subsidiaries under the ongoing Amended Proposed Restructuring and accordingly, we are unable to carry out the corresponding satisfactory auditing procedures to assess the valuation, accuracy and completeness of the following items as included in the consolidated financial statements and the Company's statement of financial position.

**Consolidated income and expenses:**

|                                     |                  |
|-------------------------------------|------------------|
| Other income                        | 4,252            |
| General and administrative expenses | (6,265)          |
| Other operating expenses            | (4,097)          |
| Finance costs                       | (151,521)        |
| Income tax                          | 25               |
|                                     | <b>(157,606)</b> |

**For the  
year ended  
31 December  
2013  
HK\$'000**

# Independent Auditor's Report

## Consolidated liabilities:

Trade and bills payables  
Accruals and other payables  
Bank borrowings  
Current tax liabilities

## Company liabilities:

Financial guarantee liabilities

| As at<br>31 December<br>2013<br>HK\$'000 |
|--|
| 436,791                                  |
| 731,447                                  |
| 114,121                                  |
| 1,469                                    |
| <b>1,283,828</b>                         |
| <b>1,153,823</b>                         |

We are also not able to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2013.

Any adjustments to the figures as described from points 1 to 3 above might have significant consequential effects on the Group's results and cash flows for the year ended 31 December 2013 and the financial position of the Group and of the Company as at 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

## MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for resumption of trading in the Company's shares and the restructuring of the Group has been submitted to the Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company. 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 restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

# Independent Auditor's Report

## DISCLAIMER OF OPINION

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

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Pang Hon Chung**

Practising Certificate Number P05988

Hong Kong, 26 February 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

|   | Notes | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Revenue</b>  | 8     | –                | 23,186           |
| Cost of sales   |       | –                | (23,004)         |
| <b>Gross profit</b>   |       | –                | 182              |
| Other income  | 9     | 4,252            | 142              |
| Selling and distribution expenses   |       | (3)              | (739)            |
| General and administrative expenses   |       | (19,028)         | (14,397)         |
| Other operating expenses  |       | (7,558)          | (18,810)         |
| Gain on deconsolidation of a liquidated subsidiary  | 10    | –                | 24,508           |
| Provision for financial guarantee liabilities   | 27    | –                | (31,139)         |
| <b>Loss from operations</b>   |       | (22,337)         | (40,253)         |
| Finance costs   | 11    | (166,566)        | (162,989)        |
| <b>Loss before tax</b>  |       | (188,903)        | (203,242)        |
| Income tax  | 12    | 25               | 11               |
| <b>Loss for the year</b>  | 13    | (188,878)        | (203,231)        |
| <b>Other comprehensive income/(loss) after tax:</b>   |       |                  |                  |
| <i>Items that may be reclassified to profit or loss:</i>  |       |                  |                  |
| Exchange differences reclassified to profit or loss upon deconsolidation of a liquidated subsidiary | 10    | –                | 1,514            |
| Exchange differences on translation of foreign operations   |       | 11,223           | (3,708)          |
|   |       | 11,223           | (2,194)          |
| <b>Total comprehensive loss for the year</b>  |       | (177,655)        | (205,425)        |
| <b>Loss for the year attributable to:</b>   |       |                  |                  |
| Owners of the Company   |       | (188,878)        | (203,228)        |
| Non-controlling interests   |       | –                | (3)              |
|   | 14    | (188,878)        | (203,231)        |
| <b>Total comprehensive loss for the year attributable to:</b>                                       |       |                  |                  |
| Owners of the Company   |       | (177,655)        | (205,422)        |
| Non-controlling interests   |       | –                | (3)              |
|   |       | (177,655)        | (205,425)        |
| <b>Loss per share</b>   |       |                  |                  |
| — Basic and diluted (HK cents per share)  | 17    | (9.71)           | (10.44)          |

# Consolidated Statement of Financial Position

As at 31 December 2013

|  | Notes | 2013<br>HK\$'000   | 2012<br>HK\$'000 |
|--|-------|--------------------|------------------|
| <b>Non-current asset</b>                     |       |                    |                  |
| Property, plant and equipment                | 18    | 278                | 777              |
| <b>Current assets</b>                        |       |                    |                  |
| Inventories                                  | 20    | 25                 | 74               |
| Trade receivables                            | 21    | –                  | 868              |
| Prepayments, deposits and other receivables  | 22    | 188                | 3,863            |
| Bank and cash balances                       |       | 451                | 678              |
|  |       | <b>664</b>         | 5,483            |
| <b>Current liabilities</b>                   |       |                    |                  |
| Trade and bills payables                     | 23    | 542,641            | 546,246          |
| Accruals and other payables                  | 24    | 790,340            | 623,718          |
| Bank borrowings                              | 25    | 478,483            | 468,745          |
| Finance lease payables                       | 26    | –                  | 106              |
| Current tax liabilities                      |       | 1,469              | 1,913            |
| Financial guarantee liabilities              | 27    | 58,936             | 58,936           |
| Convertible loans                            | 28    | 33,000             | 32,868           |
|  |       | <b>1,904,869</b>   | 1,732,532        |
| <b>Net current liabilities</b>               |       | <b>(1,904,205)</b> | (1,727,049)      |
| <b>NET LIABILITIES</b>                       |       | <b>(1,903,927)</b> | (1,726,272)      |
| <b>Capital and reserves</b>                  |       |                    |                  |
| Share capital                                | 29    | 194,600            | 194,600          |
| Reserves                                     | 30    | (2,096,995)        | (1,919,340)      |
| Equity attributable to owners of the Company |       | <b>(1,902,395)</b> | (1,724,740)      |
| Non-controlling interests                    |       | <b>(1,532)</b>     | (1,532)          |
| <b>TOTAL EQUITY</b>                          |       | <b>(1,903,927)</b> | (1,726,272)      |

The consolidated financial statements on pages 28 to 79 were approved and authorised for issue by the Board of Directors on 26 February 2016 and are signed on its behalf by:

**Ng Kok Hong**  
Director

**Ng Kok Tai**  
Director



# Statement of Financial Position

As at 31 December 2013

|                                 | Notes | 2013<br>HK\$'000   | 2012<br>HK\$'000 |
|---------------------------------|-------|--------------------|------------------|
| <b>Current assets</b>           |       |                    |                  |
| Other receivable                |       | 275                | 258              |
| Bank and cash balances          |       | 21                 | 23               |
|                                 |       | <b>296</b>         | 281              |
| <b>Current liabilities</b>      |       |                    |                  |
| Accruals and other payables     |       | 19,293             | 8,063            |
| Amount due to a subsidiary      | 19    | 4,660              | 3,362            |
| Financial guarantee liabilities | 27    | 1,153,823          | 1,110,158        |
|                                 |       | <b>1,177,776</b>   | 1,121,583        |
| <b>NET LIABILITIES</b>          |       | <b>(1,177,480)</b> | (1,121,302)      |
| <b>Capital and reserves</b>     |       |                    |                  |
| Share capital                   | 29    | 194,600            | 194,600          |
| Reserves                        | 30    | (1,372,080)        | (1,315,902)      |
| <b>TOTAL EQUITY</b>             |       | <b>(1,177,480)</b> | (1,121,302)      |

Approved by the Board of Directors on 26 February 2016

**Ng Kok Hong**  
Director

**Ng Kok Tai**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

|  | Attributable to owners of the Company |                       |                |                                      |                 |                    |                    |                           |                    |
|--|---------------------------------------|-----------------------|----------------|--------------------------------------|-----------------|--------------------|--------------------|---------------------------|--------------------|
|  | Share capital                         | Share premium account | Merger reserve | Foreign currency translation reserve | Capital reserve | Accumulated losses | Total              | Non-controlling interests | Total equity       |
|  | HK\$'000                              | HK\$'000              | HK\$'000       | HK\$'000                             | HK\$'000        | HK\$'000           | HK\$'000           | HK\$'000                  | HK\$'000           |
| At 1 January 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 and 1 January 2013         | <b>194,600</b>                        | <b>127,539</b>        | <b>3,982</b>   | <b>22,681</b>                        | <b>2,609</b>    | <b>(2,076,151)</b> | <b>(1,724,740)</b> | <b>(1,532)</b>            | <b>(1,726,272)</b> |
| Total comprehensive income/(loss) for the year | -                                     | -                     | -              | 11,223                               | -               | (188,878)          | (177,655)          | -                         | (177,655)          |
| At 31 December 2013                            | <b>194,600</b>                        | <b>127,539</b>        | <b>3,982</b>   | <b>33,904</b>                        | <b>2,609</b>    | <b>(2,265,029)</b> | <b>(1,902,395)</b> | <b>(1,532)</b>            | <b>(1,903,927)</b> |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

|   | Notes | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>               |       |                  |                  |
| Loss before tax:  |       | (188,903)        | (203,242)        |
| Adjustments for:  |       |                  |                  |
| Interest income   |       | (1)              | (1)              |
| Finance costs   |       | 166,566          | 162,989          |
| Depreciation of property, plant and equipment             |       | 388              | 666              |
| Gains on disposal of property, plant and equipment        |       | (112)            | (32)             |
| Reversal of impairment on inventories                     |       | –                | (981)            |
| Impairment on trade receivables                           |       | 419              | 447              |
| Reversal of impairment on trade receivables               |       | (151)            | –                |
| Impairment on prepayments, deposits and other receivables |       | 4,117            | 13,843           |
| Reversal of impairment on other receivables               |       | (3,545)          | –                |
| Gain on deconsolidation of a liquidated subsidiary        | 10    | –                | (24,508)         |
| Provision for financial guarantee liabilities             |       | –                | 31,139           |
| Operating loss before working capital changes             |       | (21,222)         | (19,680)         |
| Change in inventories                                     |       | 49               | 2,648            |
| Change in trade receivables                               |       | 595              | 1,649            |
| Change in prepayments, deposits and other receivables     |       | (484)            | (8,286)          |
| Change in trade and bills payables                        |       | 1,261            | 8,183            |
| Change in accruals and other payables                     |       | 2,908            | (9,243)          |
| Cash used in operations                                   |       | (16,893)         | (24,729)         |
| Hong Kong profits tax paid                                |       | –                | (25)             |
| Overseas tax paid   |       | (419)            | (120)            |
| Overseas tax refunded                                     |       | 3,545            | –                |
| Interest received   |       | 1                | 1                |
| Interest paid   |       | (1,040)          | (1,043)          |
| <b>Net cash used in operating activities</b>              |       | <b>(14,806)</b>  | <b>(25,916)</b>  |
| <b>Cash flows from investing activities</b>               |       |                  |                  |
| Purchases of property, plant and equipment                |       | (3)              | (430)            |
| Proceeds from disposals of property, plant and equipment  |       | 192              | 129              |
| Net cash inflows on deconsolidation of a subsidiary       | 10    | –                | 2,579            |
| Decrease in pledged bank deposits                         |       | –                | 221              |
| <b>Net cash generated from investing activities</b>       |       | <b>189</b>       | <b>2,499</b>     |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2013

| Notes   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|------------------|------------------|
| <b>Cash flows from financing activities</b>                   |                  |                  |
| Repayment of finance lease payable                            | (106)            | (174)            |
| Proceeds from issue of convertible loan                       | –                | 20,000           |
| <b>Net cash (used in)/generated from financing activities</b> | <b>(106)</b>     | 19,826           |
| <b>Net decrease in cash and cash equivalents</b>              | <b>(14,723)</b>  | (3,591)          |
| Effect of changes in foreign exchange rates                   | 5,118            | (2,504)          |
| Cash and cash equivalents at beginning of year                | (50,889)         | (44,794)         |
| <b>Cash and cash equivalents at end of year</b>               | <b>(60,494)</b>  | (50,889)         |
| <b>Analysis of cash and cash equivalents</b>                  |                  |                  |
| Bank and cash balances  | 451              | 678              |
| Bank overdrafts, secured                                      | (60,945)         | (51,567)         |
|   | <b>(60,494)</b>  | (50,889)         |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 principal activities of the Company’s subsidiaries are set out in note 33 to the consolidated financial statements.

## 2. BASIS OF PREPARATION

### SUSPENSION OF TRADING IN SHARES OF THE COMPANY

At the request of the Company, trading in shares of the Company has 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 assets under Rule 13.24 of the Listing Rules and the Company had been placed in the second stage of delisting procedures commencing on 26 May 2011 pursuant to PN17.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 had 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 "Original Acquisition"). Further details of the Original Acquisition were described in the Group's Annual Report 2012 and the Company's announcements dated 21 December 2012, 18 January 2013, 13 May 2013, 24 June 2013 and 19 July 2013.

### PROPOSED RESTRUCTURING OF THE COMPANY AND ITS SUBSIDIARIES (COLLECTIVELY AS THE "GROUP")

As mentioned in the Company's announcements dated 2 December 2013, 9 January and 26 February 2014, respectively, in the course of preparing for the new listing application for the Julong Group, certain regulatory issues were identified and given the substantial effort already spent in seeking to resolve those regulatory issues regarding the proposed acquisition of Julong and the lack of progress as at the final deadline for submission of a new listing application for the Resumption Proposal to the Listing Committee, the directors of the Company (the "Directors") consider that it is not in the interests of the Company and its shareholders as a whole to continue with the Original Acquisition, for the purpose of seeking the resumption of trading in shares of the Company.

To continue with the Resumption Proposal, the Company has identified a new target company and entered into an agreement (the "Acquisition Agreement") on 31 March 2014 with Mr. Shie Tak Chung and Mr. Tsoi Kin Sze (the "Vendors"), pursuant to which the Company will acquire the entire issued share capital of China General (HK) Company Limited ("China General", together with its subsidiaries, including 惠安中總房地產開發有限公司, 福建省厚德企業管理有限公司, 恆德(石獅)投資有限公司, 揚州德輝房地產開發有限公司 and 揚州德泰物業服務有限公司 (collectively referred to as the "Target Group"). Upon completion of the reorganisation of the Target Group, the Target Group will hold interest in certain real estate projects in Yangzhou, Jiangsu Province and Quanzhou, Fujian Province in the People's Republic of China.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 2. BASIS OF PREPARATION (Continued)

### PROPOSED RESTRUCTURING OF THE COMPANY AND ITS SUBSIDIARIES (COLLECTIVELY AS THE "GROUP") (Continued)

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring (the "Amended Proposed Restructuring") which will now involve the proposed capital reorganisation and creditors schemes; the proposed open offer; the proposed subscription and the working facility capitalisation; the acquisition; the application for the granting of the whitewash waiver and the disposal of the three companies together with their subsidiaries within the Group. The completion of the Amended 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 Amended Proposed Restructuring are further described in the announcement dated 22 August 2014 (the "Amendment Announcement"). The Amended 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 the Amendment Announcement.

#### (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 New 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 New Shares of HK\$0.005 each. The New 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 net proceeds of approximately HK\$198.6 million from the subscription and the open offer); (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 Marzo Holdings Limited, Value Day Limited and Mobile Distribution Limited (collectively as the "Disposed Companies") and their subsidiaries, including eTouch Mobile Private Limited, PT Comworks Indonesia, Multi Brand Telecom Services Trade Company Limited, Calibro Global Limited, Distinct Elite Limited and Matrix Star Limited (collectively as the "Disposed Group") up to the Effective Date to Newco or the Administrators (or their nominees) for the purpose of the Creditor Schemes.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 2. BASIS OF PREPARATION (Continued)

### PROPOSED RESTRUCTURING OF THE COMPANY AND ITS SUBSIDIARIES (COLLECTIVELY AS THE "GROUP") (Continued)

#### (b) Creditor Schemes (Continued)

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 Agreements; and (ii) filing of the abovementioned order of the High Court with the Registrar of Companies in Hong Kong.

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 Agreements.

#### (c) The Disposal

Subject to completion of the Acquisition, the Company will dispose of the Disposed Group to some or all of the Existing Controlling Shareholders or their nominees, at consideration to be determined based on net carrying amounts of the assets and liabilities of the Disposed Group.

#### (d) Acquisition of the New Target

The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire issued share capital of China General. As at the date of the Amendment Announcement, the entire issued share capital of China General is owned as to 45% by Mr. Shie and 55% by Mr. Tsoi respectively. Upon the completion of Acquisition, the Target Group will become wholly owned subsidiaries of the Company.

The 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 the Amendment Announcement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 2. BASIS OF PREPARATION (Continued)

### PROPOSED RESTRUCTURING OF THE COMPANY AND ITS SUBSIDIARIES (COLLECTIVELY AS THE "GROUP") (Continued)

#### (d) Acquisition of the New Target (Continued)

As disclosed in the Company's announcement dated on 12 September 2014, the Company received a letter dated 11 September 2014 from the Listing (Review) Committee (the "LRC Letter"), which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a new listing application relating to the Target Group (the "Proposal"), and not any other proposal. The LRC Letter also stated that no further extensions of time will be granted to the Company, and the Listing (Review) Committee further decided to cancel the listing of the Shares on the Stock Exchange should the Company fail to do the above by 31 October 2014 or the Proposal fail to proceed for any reasons.

As stated in the Company's announcements dated on 31 October 2014, 30 December 2014, 30 April 2015, 30 October 2015 and 31 December 2015 respectively, the Company has made a new listing application relating to the Acquisition of the New Target to the Stock Exchange on 30 October 2014 and the Stock Exchange is still in the process of reviewing the Company's new listing application.

### GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$188,878,000 (2012: HK\$203,228,000) for the year ended 31 December 2013 and as at that date, the Group had net current liabilities of approximately HK\$1,904,205,000 (2012: HK\$1,727,049,000) and net liabilities of approximately HK\$1,903,927,000 (2012: HK\$1,726,272,000) 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 has been exploring and negotiating with its creditors, Jinwu Limited (the "Investor"), the Vendors and any other parties concerned for the Amended Proposed Restructuring of the Group.

The consolidated financial statements have been prepared on a going concern basis, as the Company is preparing the Resumption Proposal, the successful implementation of which will effect, including but not limited to, the Amended Proposed Restructuring to settle with the Company's 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 Amended Proposed Restructuring will eventually be agreed upon by the Company's creditors, the Investor, the Vendors, the Company's shareholders and any other parties concerned, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 2013. 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.

### (A) AMENDMENTS TO HKAS 1 “PRESENTATION OF FINANCIAL STATEMENTS”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 judgments in the process of applying the accounting policies. The areas involving critical judgments 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.

### 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### CONSOLIDATION (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other 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.

### 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 profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### FOREIGN CURRENCY TRANSLATION (Continued)

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

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 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 profit or loss as part of the gain or loss on disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 profit or loss 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 profit or loss.

### 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 consolidated 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 profit or loss.

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 profit or loss.

### 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 profit or loss on a straight-line basis over the terms of the guarantee contracts.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 cost.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 employee 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 profit or loss 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\$25,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### BORROWING COSTS (Continued)

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.

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 profit or loss, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### TAXATION (Continued)

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 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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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 production 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 of disposal 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

### KEY SOURCES OF ESTIMATION UNCERTAINTY

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

### KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

#### (a) 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.

#### (b) Interest payables

The determination of the interest payables, which included in the consolidated statement of financial position under accruals and other payables, involves management's estimation. The Group assesses the probability and magnitude of the outflow of resources embodying economic benefits will be required to settle the obligations and if the expectation differs from the original estimate, such a difference may impact the carrying amount of the accrued interest as at 31 December 2013.

## 6. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, bills payables, borrowings and financial guarantee liabilities. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

### (A) MARKET RISK

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("USD"), Malaysia Ringgit ("RM"), Indonesia Rupiah ("IDR") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (A) MARKET RISK (Continued)

#### Foreign exchange risk (Continued)

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 2013, if HK\$ had weakened or strengthened by 5% (2012: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK\$3,901,000 (2012: HK\$3,233,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade receivables, trade payables and bank borrowings in relation to the operation in Hong Kong.

#### 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 (2012: 50) basis points and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK\$992,000 (2012: HK\$1,304,000) mainly as a result of higher or lower interest expenses on floating rate borrowings.

### (B) CREDIT RISK

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 6. FINANCIAL RISK MANAGEMENT (Continued)

### (B) CREDIT RISK (Continued)

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 96% (2012: 51%) and approximately 100% (2012: 78%) 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 2013 and 2012 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 Amended 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 2013 and 2012 were mainly derived from its only operating segment of trading and distribution of mobile phones and related accessories.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 7. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include interest income, finance costs, gain on deconsolidation of a liquidated subsidiary, provision for financial guarantee liabilities, share of results of an associate, income tax and unallocated income and expenses. Segment assets consist primarily of property, plant and equipment, inventories, trade receivables, other receivables, prepayments and operating cash, and mainly exclude tax assets and other unallocated assets. Segment liabilities comprise operating liabilities and exclude items such as borrowings, lease payables, tax payables, financial guarantee liabilities and convertible loans. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

### INFORMATION ABOUT REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES:

|   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|------------------|------------------|
| <b>Year ended 31 December:</b>                            |                  |                  |
| Revenue from external customers                           | –                | 23,186           |
| Segment loss  | <b>(22,338)</b>  | (33,623)         |
| Interest income   | <b>1</b>         | 1                |
| Interest expense  | <b>166,566</b>   | 162,989          |
| Provision for financial guarantee liabilities             | –                | 31,139           |
| Gain on deconsolidation of a liquidated subsidiary        | –                | (24,508)         |
| Depreciation  | <b>388</b>       | 666              |
| Income tax  | <b>(25)</b>      | (11)             |
| Other material non-cash items:                            |                  |                  |
| Reversal of impairment on inventories                     | –                | (981)            |
| Reversal of impairment on trade receivables               | <b>(151)</b>     | –                |
| Reversal of impairment on other receivables               | <b>(3,545)</b>   | –                |
| Impairment on trade receivables                           | <b>419</b>       | 447              |
| Impairment on prepayments, deposits and other receivables | <b>4,117</b>     | 13,843           |
| Gain on disposal of property, plant and equipment         | <b>(112)</b>     | (32)             |
| Additions to segment non-current assets                   | <b>3</b>         | 430              |
| <b>At 31 December:</b>                                    |                  |                  |
| Segment assets  | <b>942</b>       | 6,260            |
| Segment liabilities                                       | <b>1,332,981</b> | 1,169,964        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 7. SEGMENT INFORMATION (Continued)

### RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS, ASSETS AND LIABILITIES:

|   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|------------------|------------------|
| <b>Profit or loss:</b>  |                  |                  |
| Total profit or loss of reportable segments                   | (22,338)         | (33,623)         |
| Unallocated profit or loss:                                   |                  |                  |
| Provision for financial guarantee liabilities                 | –                | (31,139)         |
| Gain on deconsolidation of a liquidated subsidiary            | –                | 24,508           |
| Finance costs   | (166,566)        | (162,989)        |
| Income tax  | 25               | 11               |
| Interest income   | 1                | 1                |
| Consolidated loss for the year                                | (188,878)        | (203,231)        |
| <b>Assets:</b>  |                  |                  |
| Total assets of reportable segments/total consolidated assets | 942              | 6,260            |
| <b>Liabilities:</b>   |                  |                  |
| Total liabilities of reportable segments                      | 1,332,981        | 1,169,964        |
| Unallocated liabilities:                                      |                  |                  |
| Bank borrowings   | 478,483          | 468,745          |
| Finance lease payables  | –                | 106              |
| Current tax liabilities                                       | 1,469            | 1,913            |
| Financial guarantee liabilities                               | 58,936           | 58,936           |
| Convertible loans   | 33,000           | 32,868           |
| Consolidated total liabilities                                | 1,904,869        | 1,732,532        |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 7. SEGMENT INFORMATION (Continued)

### GEOGRAPHICAL INFORMATION:

|           | Revenue          |                  | Non-current assets |                  |
|-----------|------------------|------------------|--------------------|------------------|
|           | 2013<br>HK\$'000 | 2012<br>HK\$'000 | 2013<br>HK\$'000   | 2012<br>HK\$'000 |
| Hong Kong | –                | 14,314           | 193                | 368              |
| Malaysia  | –                | 1,606            | –                  | –                |
| Indonesia | –                | 7,266            | 85                 | 409              |
|           | –                | 23,186           | 278                | 777              |

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 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:

|   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|------------------|------------------|
| Turnover from sales of mobile phones and related accessories, net | –                | 23,186           |

## 9. OTHER INCOME

|  | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--|------------------|------------------|
| Interest income                                    | 1                | 1                |
| Gains on disposal of property, plant and equipment | 112              | 32               |
| Reversal of impairment on trade receivables        | 151              | –                |
| Reversal of impairment on other receivables        | 3,545            | –                |
| Sundry income                                      | 443              | 109              |
|  | 4,252            | 142              |



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 10. GAIN ON DECONSOLIDATION OF A LIQUIDATED 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<br>2012<br>HK\$'000 |
|--|-------------------------|
| Net liabilities of the subsidiary deconsolidated:                        |                         |
| Bank and cash balances   | 2                       |
| Trade and bills payables   | (5,527)                 |
| Accruals and other payables  | (112)                   |
| Amounts due to the Group   | (23,137)                |
| Bank overdrafts  | (2,581)                 |
| Bank borrowings  | (17,804)                |
|  | <hr/>                   |
| Net liabilities of the deconsolidated subsidiary                         | (49,159)                |
| Impairment of amount due from the deconsolidated subsidiary              | 23,137                  |
| Release of the related foreign currency translation reserves             | 1,514                   |
|  | <hr/>                   |
| Gain on deconsolidation of a liquidated subsidiary                       | (24,508)                |
|  | <hr/>                   |
| Net cash inflows from deconsolidation of the subsidiary were as follows: |                         |

|  | MDM<br>2012<br>HK\$'000 |
|--|-------------------------|
| Cash and cash equivalent deconsolidated: |                         |
| Bank and cash balances                   | (2)                     |
| Bank overdrafts                          | 2,581                   |
|  | <hr/>                   |
|  | 2,579                   |
|  | <hr/>                   |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 11. FINANCE COSTS

|   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|---|------------------|------------------|
| Interest expenses on borrowings and payables wholly repayable within five years |                  |                  |
| — bank borrowings   | 60,814           | 55,159           |
| — finance leases  | 13               | 49               |
| — convertible loans   | 1,172            | 3,181            |
| — trade payables  | 104,567          | 104,600          |
|   | <b>166,566</b>   | <b>162,989</b>   |

## 12. INCOME TAX

|                                      | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--------------------------------------|------------------|------------------|
| Current tax — Hong Kong profits tax: |                  |                  |
| Over provision in prior year         | —                | (11)             |
| Current tax — Overseas:              |                  |                  |
| Over provision in prior year         | (25)             | —                |
|                                      | <b>(25)</b>      | <b>(11)</b>      |

No provision for Hong Kong profits 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. Tax on overseas profits had been calculated on the estimated assessable profits for that year at the rates of tax prevailing in the countries in which the Group operates.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 12. INCOME TAX (Continued)

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

|  | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--|------------------|------------------|
| Loss before tax:   | (188,903)        | (203,242)        |
| Calculated at a domestic tax rate of 16.5% (2012: 16.5%) | (31,169)         | (33,535)         |
| Effect of different tax rates in other countries         | 10,534           | 527              |
| Income not subject to tax                                | (1,381)          | (4,038)          |
| Expenses not deductible for tax purpose                  | 14,726           | 25,136           |
| Over provision in prior year                             | (25)             | (11)             |
| Tax losses not recognised                                | 7,290            | 11,910           |
|  | (25)             | (11)             |

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK\$2,318,521,000 (2012: HK\$2,311,231,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 13. LOSS FOR THE YEAR

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

|  | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--|------------------|------------------|
| Cost of inventories sold   | –                | 23,004           |
| Auditors' remuneration   | 629              | 745              |
| Depreciation of property, plant and equipment                                    | 388              | 666              |
| Operating leases:  |                  |                  |
| — land and buildings   | 302              | 749              |
| — office equipment   | –                | 16               |
| Impairment on trade receivables**  | 419              | 447              |
| Impairment on prepayments, deposits and other receivables*                       | 4,117            | 13,843           |
| Staff costs (including Directors' remuneration):                                 |                  |                  |
| — salaries, bonuses and allowances   | 3,097            | 6,092            |
| — retirement benefits scheme contributions                                       | 78               | 109              |
|  | <b>3,175</b>     | <b>6,201</b>     |
| Exchange losses*   | 335              | 4,962            |
| Gains on disposal of property, plant and equipment*                              | (112)            | (32)             |
| Reversal of impairment on trade receivables                                      | (151)            | –                |
| Reversal of impairment on other receivables                                      | (3,545)          | –                |
| Reversal of impairment on inventories#<br>(included in cost of inventories sold) | –                | (981)            |

\* These items were included in 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\$56,178,000 (2012: HK\$59,668,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (A) DIRECTORS' EMOLUMENTS

The remuneration of each Director for the year ended 31 December 2013 is set out below:

|                            | Salary<br>HK\$'000 | Retirement<br>benefit costs<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------|--------------------|---|-------------------|
| <i>Executive Director:</i> |                    |   |                   |
| Ng Kok Hong                | 1,065              | 15                                      | 1,080             |
| Ng Kok Tai                 | –                  | –                                       | –                 |
| Ng Kok Yang                | –                  | –                                       | –                 |
|                            | <b>1,065</b>       | <b>15</b>                               | <b>1,080</b>      |

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

|                            | Salary<br>HK\$'000 | Retirement<br>benefit costs<br>HK\$'000 | Total<br>HK\$'000 |
|----------------------------|--------------------|---|-------------------|
| <i>Executive Director:</i> |                    |   |                   |
| Ng Kok Hong                | 1,020              | 14                                      | 1,034             |
| Ng Kok Tai                 | 51                 | 6                                       | 57                |
| Ng Kok Yang                | –                  | –                                       | –                 |
|                            | <b>1,071</b>       | <b>20</b>                               | <b>1,091</b>      |

During the year ended 31 December 2013, 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\$2,965,000 (2012: HK\$3,010,000), HK\$1,950,000 (2012: HK\$1,899,000) and HK\$2,470,000 (2012: HK\$2,470,000) respectively. Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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:

|           | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|-----------|------------------|------------------|
| Directors | 1,080            | 1,034            |
| Employees | 1,828            | 2,146            |
|           | <b>2,908</b>     | <b>3,180</b>     |

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:

|  | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
|--|------------------|------------------|
| Salaries, allowances and benefit-in-kind | 1,759            | 2,104            |
| Retirement benefit costs                 | 69               | 42               |
|  | <b>1,828</b>     | <b>2,146</b>     |

Save as disclosed above, for the two years ended 31 December 2013 and 2012, 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 2013 (2012: nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 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\$188,878,000 (2012: HK\$203,228,000) and the weighted average number of 1,945,996,565 (2012: 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 18. PROPERTY, PLANT AND EQUIPMENT

|  | Group                     |                   |   |               |
|--|---------------------------|-------------------|---|---------------|
|  | Leasehold<br>improvements | Motor<br>vehicles | Furniture,<br>fixtures and<br>equipment | Total         |
|  | HK\$'000                  | HK\$'000          | HK\$'000                                | HK\$'000      |
| <b>Cost:</b>                           |                           |                   |   |               |
| At 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 and 1 January 2013 | <b>501</b>                | <b>977</b>        | <b>14,397</b>                           | <b>15,875</b> |
| Additions                              | –                         | –                 | 3                                       | 3             |
| Disposals                              | –                         | (247)             | (166)                                   | (413)         |
| Exchange differences                   | (106)                     | (8)               | (193)                                   | (307)         |
| At 31 December 2013                    | <b>395</b>                | <b>722</b>        | <b>14,041</b>                           | <b>15,158</b> |
| <b>Accumulated depreciation:</b>       |                           |                   |   |               |
| At 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 and 1 January 2013 | <b>456</b>                | <b>841</b>        | <b>13,801</b>                           | <b>15,098</b> |
| Charge for the year                    | <b>43</b>                 | <b>91</b>         | <b>254</b>                              | <b>388</b>    |
| Disposals                              | –                         | (205)             | (125)                                   | (330)         |
| Exchange differences                   | (104)                     | (5)               | (167)                                   | (276)         |
| At 31 December 2013                    | <b>395</b>                | <b>722</b>        | <b>13,763</b>                           | <b>14,880</b> |
| <b>Carrying amount:</b>                |                           |                   |   |               |
| At 31 December 2013                    | –                         | –                 | 278                                     | 278           |
| At 31 December 2012                    | 45                        | 136               | 596                                     | 777           |

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\$nil (2012: HK\$136,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 19. INVESTMENTS IN SUBSIDIARIES

|                              | Notes | Company          |                  |
|------------------------------|-------|------------------|------------------|
|                              |       | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Unlisted shares, at cost     | (a)   | <b>233,433</b>   | 233,433          |
| Less: Impairments            | (c)   | <b>(233,433)</b> | (233,433)        |
|                              |       | —                | —                |
| Amount due from a subsidiary | (b)   | <b>339,266</b>   | 339,266          |
| Less: Impairments            | (c)   | <b>(339,266)</b> | (339,266)        |
|                              |       | —                | —                |
| Amount due to a subsidiary   | (b)   | <b>4,660</b>     | 3,362            |

Notes:

- (a) Particulars of principal subsidiaries are set out in note 33 to the consolidated financial statements.
- (b) The balances with subsidiaries were unsecured, interest free and had no fixed term of repayment.
- (c) At 31 December 2013 and 2012, the Directors performed an impairment testing on the Group's investments in subsidiaries and the amount due from a subsidiary, and they considered that their carrying amounts are in excess of the recoverable amounts as a result of the persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK\$233,433,000 (2012: HK\$233,433,000) against the investments in subsidiaries and approximately HK\$339,266,000 (2012: HK\$339,266,000) were made against the amount due from a subsidiary at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 20. INVENTORIES

|                   | Group            |                  |
|-------------------|------------------|------------------|
|                   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Merchandises      | 748              | 3,675            |
| Less: Impairments | (723)            | (3,601)          |
|                   | 25               | 74               |

## 21. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 30 days (2012: 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            |                  |
|-------------------|------------------|------------------|
|                   | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| 1–30 days         | –                | 173              |
| 31–60 days        | –                | 21               |
| 61–90 days        | –                | –                |
| 91–120 days       | –                | 21               |
| Over 120 days     | 1,237,044        | 1,239,000        |
| Less: Impairments | (1,237,044)      | (1,238,347)      |
|                   | –                | 868              |

The creation or release of provision for impaired trade receivable have been included in “General and administrative expenses” of the consolidated statement of profit or loss. 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\$1,237,044,000 (2012: HK\$1,238,347,000) were impaired. The individually impaired trade receivables mainly related to customers that had prolonged their repayment due to unexpected financial difficulties.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 21. TRADE RECEIVABLES (Continued)

Movements on the impairment of trade receivables are as follows:

|                                 | Group            |                  |
|---------------------------------|------------------|------------------|
|                                 | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| At 1 January                    | 1,238,347        | 1,238,654        |
| Impairments for the year        | 419              | 447              |
| Reversal of impairment          | (151)            | –                |
| Deconsolidation of a subsidiary | (391)            | (129)            |
| Exchange differences            | (1,180)          | (625)            |
| At 31 December                  | <b>1,237,044</b> | 1,238,347        |

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                                | Group              |                    |
|--------------------------------|--------------------|--------------------|
|                                | 2013<br>HK\$'000   | 2012<br>HK\$'000   |
| Prepayments                    | 293                | 258                |
| Deposits and other receivables | 18,779             | 24,571             |
| Less: Impairments              | 19,072<br>(18,884) | 24,829<br>(20,966) |
|                                | <b>188</b>         | 3,863              |

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\$18,884,000 (2012: HK\$20,966,000) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 23. TRADE AND BILLS PAYABLES

|                | Group            |                  |
|----------------|------------------|------------------|
|                | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Trade payables | 438,073          | 435,603          |
| Bills payables | 104,568          | 110,643          |
|                | <b>542,641</b>   | <b>546,246</b>   |

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

|               | Group            |                  |
|---------------|------------------|------------------|
|               | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| 1–30 days     | –                | 9                |
| 31–60 days    | –                | 16               |
| 61–90 days    | –                | 178              |
| 91–120 days   | –                | –                |
| Over 120 days | 438,073          | 435,400          |
|               | <b>438,073</b>   | <b>435,603</b>   |

Included in the trade payables at the end of the reporting period, approximately HK\$409,375,000 (2012: HK\$406,589,000) 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 (2012: HK\$344,500,000) and approximately HK\$64,875,000 (2012: HK\$62,089,000) of which were interest-bearing at approximately 2.5% per month and at approximately 1.95% per annum respectively.

At the end of the reporting period, the Group's bills payables were secured by certain corporate guarantees granted by the Company. The bills payables of the Group were interest-bearing at approximately 8.29% (2012: 8.29%) per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 23. TRADE AND BILLS PAYABLES (Continued)

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

|        | Group            |                  |
|--------|------------------|------------------|
|        | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| USD    | 408,372          | 405,374          |
| EUR    | 65,047           | 61,808           |
| RM     | 44,540           | 54,190           |
| HK\$   | 13,448           | 13,159           |
| INR    | 1,348            | 1,522            |
| VND    | 7,857            | 7,956            |
| Others | 2,029            | 2,237            |
|        | <b>542,641</b>   | <b>546,246</b>   |

## 24. ACCRUALS AND OTHER PAYABLES

|                                     | Group            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Interest payables (note (a))        | 705,557          | 487,193          |
| Accrual                             | 72,651           | 54,861           |
| Amount due to a director (note (b)) | 972              | –                |
| Other payables                      | 11,160           | 81,664           |
|                                     | <b>790,340</b>   | <b>623,718</b>   |

Notes:

- (a) Included in the interest payables at the end of the reporting period, approximately HK\$172,911,000 (2012: HK\$113,102,568) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain banks.
- (b) The amount due to a director is unsecured, non-interest bearing and has no fixed repayment term.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 25. BANK BORROWINGS

|                          | Group            |                  |
|--------------------------|------------------|------------------|
|                          | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Bank loans, secured      | 417,538          | 417,178          |
| Bank overdrafts, secured | 60,945           | 51,567           |
|                          | <b>478,483</b>   | <b>468,745</b>   |

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

|      | Group            |                  |
|------|------------------|------------------|
|      | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| USD  | 194,109          | 195,560          |
| HK\$ | 209,050          | 204,844          |
| RM   | 72,751           | 65,638           |
| EUR  | 2,573            | 2,703            |
|      | <b>478,483</b>   | <b>468,745</b>   |

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

|      | Bank loans |      | Bank overdrafts |      |
|------|------------|------|-----------------|------|
|      | 2013       | 2012 | 2013            | 2012 |
| USD  | 5.7%       | 5.7% | –               | –    |
| HK\$ | 4.3%       | 4.3% | 5.9%            | 5.9% |
| RM   | 7.6%       | 7.6% | 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 26. 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:

|   | Minimum<br>lease<br>payments<br>2013<br>HK\$'000 | Minimum<br>lease<br>payments<br>2012<br>HK\$'000 | Group  |  |
|---|--|--|--|--|
|   |  |  | Present value<br>of minimum<br>lease<br>payments<br>2013<br>HK\$'000 | Present value<br>of minimum<br>lease<br>payments<br>2012<br>HK\$'000 |
| Total minimum finance lease<br>payment payables within one year | –  | 130  | –  | 106  |
| Future finance charges  | –  | (24)   |  |  |
| Total net finance lease payables                                | –  | 106  |  |  |
| Portion classified as current<br>liabilities                    | –  | 106  |  |  |
| Non-current portion   | –  | –  |  |  |

It is the Group's policy to lease certain of its motor vehicles under finance leases. At the end of the reporting period, the average effective borrowing rate was nil (2012: 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 27. 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 Exquisite Model Sdn. Bhd. ("EM") and MDM totaling approximately HK\$58,936,000 (2012: 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.

### COMPANY

At 31 December 2013, 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\$1,153,823,000 (2012: HK\$1,110,158,000) of which were utilised by the subsidiaries as at that date. The Group has breached certain bank covenant requirements and defaulted in repayment of certain bank borrowings. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK\$1,153,823,000 (2012: HK\$1,110,158,000) 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.

## 28. CONVERTIBLE LOANS

- (a) Time Boomer Limited ("Time Boomer"), 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 Agreements, entered into the Loan Agreements (the "TB Loan") and Option Agreements (the "TB Option") with Mobile Distribution Limited ("MDL"), a wholly-owned subsidiary of the Company. Pursuant to a supplemental deed with Time Boomer to amend the terms of the TB Option such that Time Boomer shall now be entitled to subscribe for 83,870,968 New Shares at a total exercise price of HK\$13 million, or HK\$0.155 per New Share, upon fulfillment of certain conditions precedent as described in the Amendment Announcement.

Interest of 8% 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 8.6% (2012: 12.01%) per annum to the liability component.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 28. CONVERTIBLE LOANS (Continued)

(a) (Continued)

The TB 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 Company's announcement dated 14 July 2011.

(b) First Apex Investments Limited ("First Apex"), 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 Agreements, entered into the Loan Agreements (the "FA Loan") and Option Agreements (the "FA Option") with MDL. Pursuant to a termination deed with First Apex terminating the FA Option and a new option deed with First Apex pursuant to which the Company will now grant to First Apex an option to subscribe for 129,032,258 New Shares at a total exercise price of HK\$20 million or approximately HK\$0.155 per New Share, upon fulfillment of certain conditions precedent as described in the Amendment Announcement.

The FA Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of 1.25% (2012: 10.35%) per annum to the liability component.

The FA 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 Company's announcement dated 14 February 2012.

As further disclosed in the Company's announcement dated 12 May 2015, the repayment date of the TB Loan and the FA Loan has extended to 31 March 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 28. CONVERTIBLE LOANS (Continued)

- (c) The liability components of the TB Loan and FA Loan at the end of the reporting period is analysed as follows:

|  | Convertible Loans — Group |                        |                   |
|--|---------------------------|------------------------|-------------------|
|  | Time Boomer<br>HK\$'000   | First Apex<br>HK\$'000 | Total<br>HK\$'000 |
| Liability components at 1 January 2012                         | 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<br>and 1 January 2013 | 12,976                    | 19,892                 | 32,868            |
| Interest charged   | 1,064                     | 108                    | 1,172             |
| Interest paid  | (1,040)                   | –                      | (1,040)           |
| Liability components at 31 December 2013                       | <b>13,000</b>             | <b>20,000</b>          | <b>33,000</b>     |

The Directors estimate the fair value of the liability components of the convertible loans at 31 December 2013 to be approximately HK\$33,934,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

## 29. SHARE CAPITAL

|  | Company  |                |
|--|--|----------------|
|  | Number of<br>ordinary<br>shares<br>HK\$0.10 each | HK\$'000       |
| Authorised:<br>At 31 December 2012 and 2013            | <b>3,000,000,000</b>                             | <b>300,000</b> |
| Issued and fully paid:<br>At 31 December 2012 and 2013 | <b>1,945,996,565</b>                             | <b>194,600</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 29. SHARE CAPITAL (Continued)

### CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2013 and 2012.

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 25, 26, 27 and 28 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 bank and other borrowings and financial guarantee liabilities but excluding trade and bills payables, accruals and other payables and tax payables as shown in the consolidated statement of financial position).

The gearing ratios at 31 December 2013 and 2012 were as follows:

|                  | Group            |                  |
|------------------|------------------|------------------|
|                  | 2013<br>HK\$'000 | 2012<br>HK\$'000 |
| Total borrowings | 570,419          | 560,655          |
| Total assets     | 942              | 6,260            |
| Gearing ratio    | 60,554%          | 8,956%           |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 30. RESERVES

### (A) GROUP

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

### (B) COMPANY

|  | <b>Share<br/>premium</b> | <b>Accumulated<br/>losses</b> | <b>Total</b> |
|--|--------------------------|-------------------------------|--------------|
|  | HK\$'000                 | HK\$'000                      | HK\$'000     |
| At 1 January 2012                      | 287,281                  | (1,543,515)                   | (1,256,234)  |
| Loss for the year                      | –                        | (59,668)                      | (59,668)     |
| At 31 December 2012 and 1 January 2013 | 287,281                  | (1,603,183)                   | (1,315,902)  |
| Loss for the year                      | –                        | (56,178)                      | (56,178)     |
| At 31 December 2013                    | 287,281                  | (1,659,361)                   | (1,372,080)  |

### (C) NATURE AND PURPOSE OF RESERVES

#### (i) Share premium account

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

#### (ii) Merger reserve

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 30. RESERVES (Continued)

### (C) NATURE AND PURPOSE OF RESERVES (Continued)

#### (iii) Capital reserve

The capital reserve comprises (a) the fair value of the number of unexercised share options granted to employees of the Company recognised in 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.

## 31. OPERATING LEASE COMMITMENTS

Leases for office premises are negotiated for term 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 |                  |
|--|--------------------|------------------|
|  | 2013<br>HK\$'000   | 2012<br>HK\$'000 |
| Within one year                        | 163                | 277              |
| In the second to fifth year, inclusive | 199                | 26               |
|  | 362                | 303              |

## 32. EVENTS AFTER THE REPORTING PERIOD

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

## 33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

| Name of the subsidiary                                 | Place of incorporation/ registration/ operation | Issued and paid-up share capital/ registered capital   | Percentage of equity interest attributable to the Group |      | Principal activities    |
|--|---|--|---|------|-------------------------|
|  |   |  | 2013  | 2012 |                         |
| <b>Direct subsidiary:</b>                              |   |  |   |      |                         |
| E-Tech Resources Limited                               | British Virgin Islands                          | 10,000 shares of US\$1 each  | 100%  | 100% | Investment holding      |
| <b>Indirect subsidiaries:</b>                          |   |  |   |      |                         |
| é-Touch Mobile Private Limited                         | India   | 10,000 shares of Indian Rupees 10 each   | 95%   | 95%  | Inactive                |
| First Asia Mobile, Inc.                                | Republic of the Philippines                     | 12,500,000 shares of P\$1 each   | 100%  | 100% | Inactive                |
| First Mobile Group Sdn. Bhd.                           | Malaysia  | 500,000 ordinary shares of RM1 each  | 100%  | 100% | Inactive                |
| First Telecom International Limited                    | Hong Kong                                       | 50,000,000 ordinary shares of HK\$1 each<br>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 share of P\$1 each  | 100%  | 100% | Inactive                |
| Matrix Star Limited                                    | Hong Kong                                       | 1 ordinary share of HK\$1 each   | 100%  | 100% | Inactive                |
| Mobile Distribution Limited                            | Hong Kong                                       | 1 ordinary share of HK\$1 each   | 100%  | 100% | Inactive                |
| Mobile performances 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% | Scale-down of operation |

## 34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2016.



# 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 consolidated financial statements and reclassified as appropriate, is set out below.

## RESULTS

|   | For the years ended 31 December |                  |                  |                  |                  |
|---|---------------------------------|------------------|------------------|------------------|------------------|
|   | 2013<br>HK\$'000                | 2012<br>HK\$'000 | 2011<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| <b>CONTINUING OPERATION</b>                   |                                 |                  |                  |                  |                  |
| Revenue                                       | –                               | 23,186           | 58,602           | 189,544          | 3,106,161        |
| Loss before tax                               | <b>(188,903)</b>                | (203,242)        | (178,012)        | (158,081)        | (2,125,822)      |
| Income tax                                    | <b>25</b>                       | 11               | 6,255            | (2,253)          | (10,855)         |
| Loss for the year from continuing operation   | <b>(188,878)</b>                | (203,231)        | (171,757)        | (160,334)        | (2,136,677)      |
| <b>DISCONTINUED OPERATION</b>                 |                                 |                  |                  |                  |                  |
| Loss for the year from discontinued operation | –                               | –                | –                | –                | (27,927)         |
| <b>Loss for the year</b>                      | <b>(188,878)</b>                | (203,231)        | (171,757)        | (160,334)        | (2,164,604)      |
| <b>Attributable to:</b>                       |                                 |                  |                  |                  |                  |
| Owners of the Company                         | <b>(188,878)</b>                | (203,228)        | (171,719)        | (158,823)        | (2,164,419)      |
| Non-controlling interests                     | –                               | (3)              | (38)             | (1,511)          | (185)            |
|   | <b>(188,878)</b>                | (203,231)        | (171,757)        | (160,334)        | (2,164,604)      |

## ASSETS AND LIABILITIES

|                           | As at 31 December  |                  |                  |                  |                  |
|---------------------------|--------------------|------------------|------------------|------------------|------------------|
|                           | 2013<br>HK\$'000   | 2012<br>HK\$'000 | 2011<br>HK\$'000 | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
| Non-current assets        | <b>278</b>         | 777              | 1,132            | 3,450            | 60,129           |
| Current assets            | <b>664</b>         | 5,483            | 15,792           | 50,911           | 132,734          |
| Current liabilities       | <b>(1,904,869)</b> | (1,732,532)      | (1,539,553)      | (1,402,198)      | (1,380,380)      |
| Non-current liabilities   | –                  | –                | (49)             | (6,681)          | (6,974)          |
| <b>Net liabilities</b>    | <b>(1,903,927)</b> | (1,726,272)      | (1,522,678)      | (1,354,518)      | (1,194,491)      |
| <b>Attributable to:</b>   |                    |                  |                  |                  |                  |
| Owners of the Company     | <b>(1,902,395)</b> | (1,724,740)      | (1,521,149)      | (1,353,026)      | (1,194,491)      |
| Non-controlling interests | <b>(1,532)</b>     | (1,532)          | (1,529)          | (1,492)          | –                |
| <b>Total equity</b>       | <b>(1,903,927)</b> | (1,726,272)      | (1,522,678)      | (1,354,518)      | (1,194,491)      |



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

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