FIRST MOBILE GROUP

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 2015
二零一五年年報

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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

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

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 2015 ("FY2015").

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.

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.

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

BUSINESS REVIEW

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

FINANCIAL REVIEW

The Group recorded an other income of approximately HK$25.5 million for FY2015, as compared to HK$24,000 for FY2014 mainly due to exchange gains on translation of financial guarantee liabilities.

The Group's general and administrative expenses increased by approximately HK$8.0 million as compared to FY2014 mainly due to the legal and professional fees incurred under the current restructuring/new listing application exercise during the year.

The Group's provision for financial guarantee liabilities decreased by approximately 96.9% from approximately HK$172.4 million for FY2014 to approximately HK$5.3 million for FY2015 mainly due to the fall of average exchange rate of Malaysian Ringgit to Hong Kong Dollar and the drop of prime interest rate from the average of 6.6% in 2014 to 4.5% in 2015.

Finance costs increased by approximately HK$3.9 million compared to FY2014 mainly due to default interest charged on convertible loan.

The loss attributable to owners of the Company was approximately HK$163.9 million for FY2015, representing loss per share of HK8.42 cents as compared to a loss of approximately HK$117.5 million for FY2014, representing loss per share of HK6.04 cents.

SEGMENT INFORMATION

The Group has no revenue generated for FY2015.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, bank and cash balances of the Group were approximately HK$103,000 (2014: HK$82,000).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2015 was 318,873% (2014: 133,713%).

As at 31 December 2015, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (2014: secured by the corporate guarantees granted by the Company).

ASSETS AND LIABILITIES

As at 31 December 2015, the Group had total assets of approximately HK$191,000 (2014: HK$468,000), total liabilities of HK$2,147 million (2014: HK$1,998 million). The net liabilities of the Group as at 31 December 2015 were HK$2,147 million (2014: HK$1,998 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 2015.

CHARGES ON GROUP ASSETS

The Group had no other charge as at 31 December 2015 and 2014 except for the charge by Time Boomer and First Apex. Details are set out in note 22 to the consolidated financial statements.

RESERVES

As at 31 December 2015, the Company did not have any reserves available for distribution. Details of movements in the results of the Company and the Group during the year are set out in note 24(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 as at 31 December 2015 and 2014.

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liabilities as at 31 December 2015 and 2014.

EMPLOYEES

As at 31 December 2015, the Group had 6 (2014: 8) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2015 amounted to approximately HK$1.4 million (2014: HK$3.3 million) of which approximately HK$0.3 million (2014: HK$1.1 million) represented the Director's remuneration. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

EXECUTIVE DIRECTORS

Mr. NG Kok Hong, aged 52, 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 55, Executive Deputy Chairman of the Group. He is also 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 48, 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 48, 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.

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 2015.

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 27 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 26. The Directors do not recommend the payment of any dividend for the year ended 31 December 2015.

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 24(b) to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 17 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2015 are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 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 68. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2015, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

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

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

There is currently no non-executive Directors following the resignation of all three of the Company's independent non-executive Directors on 2 December 2009.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

A profile of the Directors and senior management are set out on page 8.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company under which they act as executive Directors for an initial term of three years commencing from 1 January 2001 and shall continue thereafter until terminated by either party giving to the other not less than six months' notice in writing. The executive Directors are entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the Group attributable to owners of the Company. The percentage shall be determined by the Board of Directors but in any case the aggregate amount payable in each financial year to all the executive Directors of the Company shall not exceed 10% of such profit.

Based on the audited financial results of the Group for the year ended 31 December 2015, the executive Directors are not entitled to any discretionary bonus for the year ended 31 December 2015 (2014: nil).

Save as disclosed above, the Director standing for re-election at the forthcoming annual general meeting does not have a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

SHARES IN THE COMPANY

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

Notes:

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

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

SHARES IN AN ASSOCIATED CORPORATION

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

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

Save as disclosed above, as at 31 December 2015, 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 2015)

FAME BUILD HOLDINGS LIMITED ("Fame Build")
TALENT CONNECT INVESTMENTS LIMITED ("Talent Connect")

On 31 March 2014, the Company entered into the acquisition agreement (as supplemented by a supplemental agreement dated 27 October 2014) ("Acquisition Agreement") with, inter-alia, Mr. Shie Tak Chung ("Mr. Shie") and Mr. Tsoi Kin Sze ("Mr. Tsoi") in respect of the proposed acquisition of the entire issued share capital of China General (HK) Company Limited ("China General") at a consideration of approximately HK$817.0 million to be satisfied by the allotment and issue of a number of consideration shares credited as fully paid. The entire equity interest of China General is owned as to 50% by Mr. Shie and 50% by Mr. Tsoi respectively.

Fame Build is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Shie. The said allotment and issue of the consideration shares have not been completed as at the date of this report, but Fame Build is deemed to be interested in 2,043,296,394 issued shares of the Company.

Talent Connect is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Tsoi. The said allotment and issue of the consideration shares have not been completed as at the date of this report, but Talent Connect is deemed to be interested in 2,043,296,394 issued shares of the Company.

JINWU LIMITED

On 27 August 2010, the Company entered into a subscription agreement (as amended by the side letters dated 15 September 2010, 23 December 2010, 31 March 2011, 7 July 2011, 2 November 2011, 30 March 2012, 4 December 2012 and 6 February 2013 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 ordinary shares in the capital of the Company, for a total cash consideration, before expenses, of HK$162 million (the "Original Subscription Agreement").

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.

On 27 October 2014, the Company entered into a supplemental agreement with Jinwu to amend the Original Subscription Agreement to facilitate the transaction contemplated under the Acquisition Agreement so that the Investor will subscribe for ordinary shares in the capital of the Company at a subscription price of HK$0.155 per subscription share, for a total cash consideration of approximately HK$148 million. The said issue and allotment of the subscription shares have not been completed as at the date of this report, but Jinwu is deemed to be interested in approximately 954,694,714 of the adjusted issued shares of the Company.

TIME BOOMER LIMITED ("Time Boomer")

On 7 July 2011, Time Boomer, a party nominated by the Investor to provide part of the HK$50 million stand-by working capital facility ("Stand-by Facility") pursuant to the terms of the Exclusivity Agreement, entered into a loan agreement (as amended by a supplemental deed dated 27 October 2014) 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 "TB Option Agreement"). The option period shall commence from the fulfillment of all the conditions precedent to the Original Subscription Agreement (unless the same is waived by the Investor) to the date of the completion of the Original Subscription Agreement.

Time Boomer is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Tai Kai Hing ("Mr. Tai"). To the best of the knowledge of the Directors, Mr. Tai is an experienced investor.

The Company entered into a supplemental option deed on 27 October 2014 and a second supplemental option deed on 30 April 2015 with Time Boomer to amend the TB Option Deed to facilitate the transaction contemplated under the Acquisition Agreement so that Time Boomer will subscribe for such number of option shares at an exercise price of approximately HK$0.155 per option share with an aggregate exercise price of HK$13 million. The said issue and allotment of the option shares have not been completed as at the date of this report, but Time Boomer is deemed to be interested in approximately 83,870,968 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 (as amended by a supplemental deed dated 27 October 2014) 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 "FA Option Agreement"). The option period shall commence from the fulfillment of all the conditions precedent to the Original Subscription Agreement (unless the same is waived by the Investor).

First Apex is a limited liability company incorporated in Hong Kong and is wholly and beneficially owned by Mr. 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.

The Company entered into a termination deed to terminate the FA Option Agreement as well as entered into a new option deed with First Apex on 27 October 2014, and a supplemental option deed on 30 April 2015 to facilitate the transaction contemplated under the Acquisition Agreement so that First Apex will subscribe for such number of option shares at an exercise price of approximately HK$0.155 per option share with an aggregate exercise price of HK$20 million. The said issue and allotment of the option shares have not been completed as at the date of this report, but First Apex is deemed to be interested in approximately 129,032,258 issued shares of the Company.

Save as disclosed above, as at 31 December 2015, 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.

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 16 to 20.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITOR

The accompanying financial statements have been audited by 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 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 2015 except for those in relation to the vacancy of the (i) independent non-executive directors ("INED"); and (ii) company secretary, following the resignations of all three of the Company's INED and the company secretary on 2 December 2009 and 9 April 2014 respectively. Arrangements will be made to appoint the company secretary and an 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 2015. 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 2015 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.

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 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 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 2015, five Board meetings were held. The Directors' attendance at Board meetings held during the year is set out below:

	Attendance/No. of meeting held
Executive Directors	
Mr. Ng Kok Hong *(Executive Chairman)*	5/5
Mr. Ng Kok Tai *(Executive Deputy Chairman)*	5/5
Mr. Ng Kok Yang *(Chief Executive Officer)*	4/5

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors did not have any director training during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

There are currently no non-executive Directors on the Board following the resignation of all three INEDs on 2 December 2009.

AUDIT COMMITTEE

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

The audited financial results and statements of the Company for the year ended 31 December 2015 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 2015.

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2015, 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.

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.

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 2015, 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$330,000 and HK$315,000 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 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.

中汇
ZHONGHUI

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 26 to 67, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2014 (the "2014 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, and details of which are set out in our audit report dated 26 February 2016. Accordingly, we were then unable to form an opinion as to whether the 2014 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's results and cash flows for the year then ended.

2. Financial guarantee liabilities

As explained in the 2014 Financial Statements, certain general banking facilities of a liquidated subsidiary, First Mobile Group Sdn. Bhd. ("FMGSB") were secured by corporate guarantees given by the Company and FMGSB has also given corporate guarantees to secure certain general banking facilities for its liquidated subsidiaries. However, the Directors and the staff of the Company were no longer able to access the documents, accounting books and records of FMGSB since the financial year ended 31 December 2013 and accordingly, no sufficient financial information is available for us to carry out audit procedures to satisfy ourselves as to whether the financial guarantee liabilities of approximately HK$165,251,000 as at 31 December 2015 as presented in the consolidated statement of financial position has been fairly stated.

We are also unable to carry out audit procedures to satisfy ourselves as to whether the movement of financial guarantee liabilities of approximately HK$5,269,000 and the exchange gain on translation of financial guarantee liabilities of approximately HK$25,404,000 as recorded in consolidated profit or loss of the Group for the year ended 31 December 2015 have been fairly stated.

3. Inherent restructuring uncertainties

As explained in the 2014 Financial Statements and further details described in note 2 to the consolidated financial statements, 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.

Given the background that (i) the Group has only maintained inactive business and operating activities since 2013 and (ii) the creditors, investor, lenders, vendors and any other parties concerned for the proposed restructuring (the "Amended Proposed Restructuring") as detailed in the circular dated 29 February 2016 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 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 statement of financial position apart from those limitations already stated in points 1 and 2 above (the aforesaid restructuring indebtedness of the restructuring 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 measurement, valuation, accuracy and completeness of the following items included in the consolidated financial statements.

	For the year ended 31 December 2015 HK$'000
Consolidated income and expenses:	
General and administrative expenses	**186**
Other operating expenses	**23**
Finance costs	**150,244**
	150,453

	As at 31 December 2015 HK$'000
Consolidated liabilities:	
Trade payables	**417,617**
Accruals and other payables	**1,021,228**
Bank borrowings	**150,708**
Current tax liabilities	**1,320**
	1,590,873

We are also not able to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities of the Group as at 31 December 2015.

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group's financial performance and cash flows for the two years ended 31 December 2015 and 2014, the financial position of the Group as at 31 December 2015 and 2014, 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.

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, 31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015 HK$'000**	2014 HK$'000
Revenue	8	**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Other income	9	**25,496**	24
Selling and distribution expenses		**–**	(1)
General and administrative expenses		**(28,499)**	(20,455)
Other operating expenses		**(35)**	(159)
Gain on deconsolidation of a liquidated subsidiary	10	**–**	227,198
Provision for financial guarantee liabilities	21	**(5,269)**	(172,398)
(Loss)/profit from operations		**(8,307)**	34,209
Finance costs	11	**(155,628)**	(151,686)
Loss before tax		**(163,935)**	(117,477)
Income tax	12	**–**	–
Loss for the year attributable to owners of the Company	13	**(163,935)**	(117,477)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss upon deconsolidation of a liquidated subsidiary	10	**–**	8,859
Exchange differences on translation of foreign operations		**14,582**	14,850
		14,582	23,709
Total comprehensive loss for the year attributable to owners of the Company		**(149,353)**	(93,768)
Loss per share			
— Basic and diluted (HK cents per share)	16	**(8.42)**	(6.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current asset			
Property, plant and equipment	17	**–**	101
Current assets			
Prepayments, deposits and other receivables		**88**	285
Bank and cash balances		**103**	82
		191	367
Current liabilities			
Trade payables	18	**417,617**	426,163
Accruals and other payables	19	**1,119,255**	944,767
Bank borrowings	20	**410,796**	407,392
Current tax liabilities		**1,320**	1,455
Financial guarantee liabilities	21	**165,251**	185,386
Convertible loans	22	**33,000**	33,000
		2,147,239	1,998,163
Net current liabilities		**(2,147,048)**	(1,997,796)
NET LIABILITIES		**(2,147,048)**	(1,997,695)
Capital and reserves			
Share capital	23	**194,600**	194,600
Reserves	24	**(2,340,116)**	(2,190,763)
Equity attributable to owners of the Company		**(2,145,516)**	(1,996,163)
Non-controlling interests		**(1,532)**	(1,532)
TOTAL DEFICITS		**(2,147,048)**	(1,997,695)

The consolidated financial statements on pages 26 to 67 were approved and authorised for issue by the Board of Directors on 31 March 2016 and are signed on its behalf by:

Ng Kok Hong
Director

Ng Kok Tai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium account HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total deficits HK$'000
At 1 January 2014	194,600	127,539	3,982	33,904	2,609	(2,265,029)	(1,902,395)	(1,532)	(1,903,927)
Total comprehensive income/(loss) for the year	–	–	–	23,709	–	(117,477)	(93,768)	–	(93,768)
At 31 December 2014 and 1 January 2015	**194,600**	**127,539**	**3,982**	**57,613**	**2,609**	**(2,382,506)**	**(1,996,163)**	**(1,532)**	**(1,997,695)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**14,582**	**–**	**(163,935)**	**(149,353)**	**–**	**(149,353)**
At 31 December 2015	**194,600**	**127,539**	**3,982**	**72,195**	**2,609**	**(2,546,441)**	**(2,145,516)**	**(1,532)**	**(2,147,048)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Cash flows from operating activities		
Loss before tax:	**(163,935)**	(117,477)
Adjustments for:		
Exchange gain, net	**(25,406)**	–
Finance costs	**155,628**	151,686
Depreciation of property, plant and equipment	**75**	179
Gain on disposal of property, plant and equipment	**(90)**	–
Impairment on inventories	**–**	17
Impairment on prepayments, deposits and other receivables	**–**	125
Impairment on property, plant and equipment	**25**	–
Gain on deconsolidation of a liquidated subsidiary	**–**	(227,198)
Provision for financial guarantee liabilities	**5,269**	172,398
Operating loss before working capital changes	**(28,434)**	(20,270)
Change in prepayments, deposits and other receivables	**197**	(239)
Change in trade payables	**(875)**	1,200
Change in accruals and other payables	**19,319**	10,016
Cash used in operations	**(9,793)**	(9,293)
Overseas tax paid	**–**	(14)
Interest paid	**–**	(257)
Net cash used in operating activities	**(9,793)**	(9,564)
Cash flows from investing activities		
Net cash inflows on deconsolidation of a liquidated subsidiary	**–**	56,183
Net cash generated from investing activities	**–**	56,183
Net (decrease)/increase in cash and cash equivalents	**(9,793)**	46,619
Effect of changes in foreign exchange rates	**6,779**	5,509
Cash and cash equivalents at beginning of year	**(8,366)**	(60,494)
Cash and cash equivalents at end of year	**(11,380)**	(8,366)
Analysis of cash and cash equivalents		
Bank and cash balances	**103**	82
Bank overdrafts	**(11,483)**	(8,448)
	(11,380)	(8,366)

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 27 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.

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"). Notwithstanding, the Original Acquisition had been eventually terminated by the Company on 31 March 2014 as certain regulatory issues were identified but yet to be resolved. Given the substantial effort already spent in resolving those regulatory issues regarding the Original Acquisition and the lack of results so far, the directors of the Company (the "Directors") considered that it was not in the interests of the Company and its shareholders as a whole to continue with the Original Acquisition for the purpose of seeking resumption of trading of the Company's shares.

The Listing Committee had once decided to cancel the listing of the Company's shares on the Stock Exchange under Practice Note 17 of the Listing Rules on 11 April 2014 on the ground that the Company had failed to submit the application by the initial application final deadline. With the requests made by the Company, the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit the revised new application relating to the following proposed restructuring, and not any other proposal.

Proposed restructuring of the Company and its subsidiaries (collectively as the "Group")

To continue with the Resumption Proposal, the Company had identified a new target company and entered into an agreement (the "Acquisition") 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，恒德(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") in place of the Original Acquisition and the Company had submitted such Resumption Proposal as a new listing application on 30 October 2014. 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 (the "PRC").

2. BASIS OF PREPARATION (Continued)

Proposed restructuring of the Company and its subsidiaries (collectively as the "Group") (Continued)

Pursuant to the Resumption Proposal, the Vendors will become the controlling shareholders holding 70% of the enlarged issued share capital of the Company after the resumption of the Company which will be completing by the end of July 2016. This constitutes a reverse takeover for the Company under Rule 14.06(6) (a) of the Listing Rules on the basis that the Acquisition (i) is a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) is regarded as resulting in a change in control of the Company to the Vendors, which fall within the bright line tests of Rule 14.06(6)(a) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. Further details of the Acquisition were described in the Company's circular dated 29 February 2016 (the "Circular").

Pursuant to the Circular, the Company is going to carry out the proposed restructuring (the "Amended Proposed Restructuring") which involves 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.

The details of the conditions precedent and the updates on the Amended Proposed Restructuring are further described in the Circular. 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 Circular.

(a) Proposed 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.

2. BASIS OF PREPARATION (Continued)

Proposed restructuring of the Company and its subsidiaries (collectively as the "Group") (Continued)

(b) Creditors Schemes

The schemes of arrangement entered into between the Company and its creditors (the "Creditors Schemes") have been approved by the creditors at the creditors' meeting held on 21 December 2010 and sanctioned by the High Court on 8 February 2011 and the Grand Court on 28 April 2011, respectively as stated in the announcements of the Company dated 14 February and 6 May 2011. Subject to any approvals/consents in respect of any modification of the Creditors Schemes having being obtained, the Creditors Schemes will become legally binding on the Company and its creditors upon fulfillment of the conditions to be set out in the subscription agreements in relation to the subscription and upon the filing of the orders of the High Court and the Grand Court with the relevant companies registries in Hong Kong and the Cayman Islands respectively.

As part of the Amended Proposed Restructuring, pursuant to the Creditors Schemes, upon effective, all or any claims and against the Company and all the indebtedness of the Company will be compromised and discharged through (i) a cash payment of HK$162 million (which will be funded by the Company out of the proceeds of approximately HK$198.6 million from the Subscription and the Open Offer); (ii) the transfer of the Scheme Subsidiaries to the Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors and, if applicable, creditors of the Scheme Subsidiaries pursuant to the Group Reorganisation; (iii) all or any claims of the Company in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective against any person (including but not limited to the Scheme Subsidiaries) shall be assigned and/or transferred and/or novated (as the case may be) from the Company to the Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors upon the Creditors Schemes becoming effective; (iv) any outstanding claims made or to be made by the Scheme Creditors in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective shall be assigned or transferred to the Scheme Company for settlement; (v) all or any claims of the Disposed Group against the Scheme Subsidiaries in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective shall be assigned and/or transferred and/or novated from the Disposed Group to the Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors upon the Creditors Schemes becoming effective.

Please refer to the Circular for the details of the Creditors Schemes.

2. BASIS OF PREPARATION (Continued)

Proposed restructuring of the Company and its subsidiaries (collectively as the "Group") (Continued)

(c) The Open Offer

As part of the Amended Proposed Restructuring, the Company will propose to undertake the Open Offer on the basis of two (2) Offer Shares for every one (1) New Share held by the Qualifying Shareholders on the Open Offer Record Date. A total of 389,199,312 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders and/or the Underwriter at the Open Offer Price of HK$0.13 for each Offer Share.

(d) The Subscription

Taking into consideration the Acquisition, the Company has entered into the Amended Subscription Agreement, the Amended TB Option Agreement and the New FA Option Agreement (to supplement or replace the Original Subscription Agreement, the TB Option Agreement and the FA Option Agreement) respectively so that Jinwu Limited will subscribe for 954,694,714 New Shares at a subscription price of HK$0.155 per New Share for a total subscription amount of approximately HK$148 million, together with Time Boomer and First Apex will be entitled to subscribe for 83,870,968 New Shares and 129,032,258 New Shares at total exercise price of HK$13 million and HK$20 million, respectively.

(e) The Acquisition

The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire equity interest in China General. The entire issued share capital of China General is owned as to 50% by Mr. Shie and 50% by Mr. Tsoi respectively. Upon completion of the Acquisition, the Target Group will become wholly-owned subsidiaries of the Company.

The Consideration is approximately HK$817 million and shall be satisfied by the allotment and issue of the Consideration Shares, i.e. 4,086,592,788 New Shares, at the Consideration Price of HK$0.20 each upon completion of the Acquisition.

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.

2. BASIS OF PREPARATION (Continued)

Proposed restructuring of the Company and its subsidiaries (collectively as the "Group") (Continued)

(f) The Disposal

As part of the Amended Proposed Restructuring, the Company will dispose of certain of its subsidiaries to some or all of the Existing Controlling Shareholders or their nominee(s) (the "Purchaser") at a nominal consideration of HK$1 which shall be satisfied in cash upon completion of the Disposal. Subject to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the entire issued share capital of the Disposed Companies. The Disposed Companies, together with their subsidiaries (refer to as the "Disposed Group") will be disposed of under the Proposed Restructuring. Upon completion of the Disposal, the Company will no longer be interested in the Disposed Group.

As stated in the Company's announcement dated on 29 February 2016, the Stock Exchange granted a letter dated 26 February 2016 in which confirmed that they have no further comments on the Circular containing all the information relating to, among others, the new listing application and approved in-principle the Company's new listing application (the "Resumption") as described in the Circular. The Stock Exchange will grant a formal and final approval before the trading in the Company's shares commences, on the condition that:

(a) the documentary requirements under Chapters 9 and 19 of the Listing Rules are followed; and

(b) the Stock Exchange are satisfied with the contents of the published version of the Circular.

As the approval is not yet a formal approval of the new listing application of the Company, the conditions stated by the Listing Division are not necessarily exhaustive. The Stock Exchange may impose additional conditions in the formal approval letter of the Stock Exchange if circumstances require. The Resumption is also subject to completion of all the transactions under the Circular.

2. BASIS OF PREPARATION (Continued)

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$163,935,000 (2014: HK$117,477,000) for the year ended 31 December 2015 and as at that date, the Group had net current liabilities of approximately HK$2,147,048,000 (2014: HK$1,997,796,000) and net liabilities of approximately HK$2,147,048,000 (2014: HK$1,997,695,000) respectively.

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

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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. 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 and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The significant accounting policies applied in the preparation of these consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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

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

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.

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.

4. *SIGNIFICANT ACCOUNTING POLICIES* (Continued)

Foreign currency translation (Continued)

(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.

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.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 expires. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated 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.

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 fair value of any derivative features embedded in the compound instruments is included in the liability component. 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. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

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

Trade and other payables

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

Equity instruments

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(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$30,000 (with effect from 1 June 2014) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. 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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

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

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

Impairment of assets

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

Recoverable amount is the higher of fair value less costs 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

These consolidated 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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

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

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 out flow 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 2015.

6. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade payables, accruals and other 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) 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 is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar ("USD") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

Foreign exchange risk (Continued)

At 31 December 2015, if HK$ had weakened or strengthened by 5% (2014: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK$2,567,000 (2014: HK$2,937,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade payables and bank borrowings in relation to the operation in Hong Kong.

Interest rate risk

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

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

At the end of the reporting period, if interest rates had been increased or decreased by 50 (2014: 50) basis points and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK$998,000 (2014: HK$992,000) mainly as a result of higher or lower interest expenses on floating rate borrowings.

(b) 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 2015 and 2014 based on the carrying value of borrowings and payables reflected in the consolidated 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.

(c) 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

As the Group's operation in trading and distribution of mobile phones and related accessories had been scaled down to inactive since 2013, the Directors considered that there were no reportable segment for the two years ended 31 December 2015 and 2014.

8. REVENUE

No transactions were concluded to generate any trading income by the Group during the year.

9. OTHER INCOME

	2015 **HK$'000**	2014 HK$'000
Exchange gains:		
— Translation of financial guarantee liabilities	**25,404**	–
— Others, net	**2**	–
Gain on disposal of property, plant and equipment	**90**	–
Sundry income	**–**	24
	25,496	24

10. GAIN ON DECONSOLIDATION OF A LIQUIDATED SUBSIDIARY

A winding-up order was issued by the High Court in Malaysia, Shah Alam on 5 February 2014 ordering among other things that First Mobile Group Sdn. Bhd. ("FMGSB"), be wound up and that the official receiver of Malaysia be appointed as 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 Directors have lost the access to the accounting books and records of FMGSB for the calculation of the gain on deconsolidation as at 5 February 2014 as follows:

	2014 HK$'000
Net liabilities of the subsidiary deconsolidated:	
Prepayment, deposits and other receivables	17
Bank and cash balances	24
Trade and bills payables	(108,330)
Accruals and other payables	(5,047)
Amounts due to the Group	(2,915)
Bank overdrafts	(56,207)
Bank borrowings	(20,566)
Financial guarantee liabilities	(45,948)
Net liabilities of the deconsolidated subsidiary	(238,972)
Impairment of amount due from the deconsolidated subsidiary	2,915
Release of the related foreign currency translation reserves	8,859
Gain on deconsolidation of a liquidated subsidiary	(227,198)

Net cash inflows from deconsolidation of a liquidated subsidiary were as follows:

	2014 HK$'000
Cash and cash equivalent deconsolidated:	
Bank and cash balances	24
Bank overdrafts	(56,207)
	(56,183)

11. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest expenses on borrowings and payables		
— bank borrowings	**45,877**	46,048
— convertible loans	**5,384**	1,041
— trade payables	**104,367**	104,597
	155,628	151,686

12. INCOME TAX

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. 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.

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

	2015 HK$'000	2014 HK$'000
Loss before tax:	**(163,935)**	(117,477)
Calculated at a domestic tax rate of 16.5% (2014: 16.5%)	**(27,049)**	(19,384)
Effect of different tax rates in other countries	**1**	11,672
Income not subject to tax	**(7,893)**	(37,607)
Expenses not deductible for tax purpose	**34,921**	45,297
Tax losses not recognised	**20**	22
	–	–

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK$2,318,563,000 (2014: HK$2,318,544,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of the Group.

13. LOSS FOR THE YEAR

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

	2015 HK$'000	2014 HK$'000
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	**1,330**	3,251
— retirement benefits scheme contributions	**33**	78
	1,363	3,329
Auditor's remuneration	**330**	851
Depreciation of property, plant and equipment	**75**	179
Operating leases expenses	**166**	170
Impairment on inventories*	**–**	17
Impairment on property, plant and equipment*	**25**	–
Impairment on prepayments, deposits and other receivables*	**–**	125

* These items were included in other operating expenses.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2015 is set out below:

	Salary HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Director:			
Ng Kok Hong	**270**	**–**	**270**
Ng Kok Tai	**–**	**–**	**–**
Ng Kok Yang	**–**	**–**	**–**
	270	**–**	**270**

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2014 is set out below:

	Salary HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Director:			
Ng Kok Hong	1,063	17	1,080
Ng Kok Tai	–	–	–
Ng Kok Yang	–	–	–
	1,063	17	1,080

During the year, Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang, being executive directors of the Company, have agreed to waive their total emoluments of approximately HK$3,760,000 (2014: HK$2,967,000), HK$1,950,000 (2014: HK$1,950,000) and HK$2,470,000 (2014: 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	2015 **HK$'000**	2014 HK$'000
Directors	**270**	1,080
Employees	**1,093**	1,692
	1,363	2,772

14. DIRECTOR'S AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

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:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefit-in-kind	**1,064**	1,625
Retirement benefit costs	**29**	67
	1,093	1,692

Save as disclosed above, for the two years ended 31 December 2015 and 2014, 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.

15. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: nil).

16. 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$163,935,000 (2014: HK$117,477,000) and the weighted average number of 1,945,996,565 (2014: 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 1 January 2014	395	722	14,041	15,158
Exchange differences	–	–	(1)	(1)
At 31 December 2014 and 1 January 2015	**395**	**722**	**14,040**	**15,157**
Disposals	**–**	**(722)**	**–**	**(722)**
At 31 December 2015	**395**	**–**	**14,040**	**14,435**
Accumulated depreciation:				
At 1 January 2014	395	722	13,763	14,880
Charge for the year	–	–	179	179
Exchange differences	–	–	(3)	(3)
At 31 December 2014 and 1 January 2015	**395**	**722**	**13,939**	**15,056**
Charge for the year	**–**	**–**	**75**	**75**
Disposals	**–**	**(722)**	**–**	**(722)**
Impairment loss	**–**	**–**	**25**	**25**
Exchange differences	**–**	**–**	**1**	**1**
At 31 December 2015	**395**	**–**	**14,040**	**14,435**
Carrying amount:				
At 31 December 2015	**–**	**–**	**–**	**–**
At 31 December 2014	–	–	101	101

18. TRADE PAYABLES

At the end of the reporting period, the ageing of all trade payables are over 120 days.

Included in the trade payables at the end of the reporting period, approximately HK$395,350,000 (2014: HK$401,529,000) 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 (2014: HK$344,500,000) and approximately HK$50,850,000 (2014: HK$57,029,000) of which were interest-bearing at approximately 2.5% per month and at approximately 1.95% per annum respectively.

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

	2015 HK$'000	2014 HK$'000
USD	**344,511**	344,511
EUR	**49,111**	55,923
RM	**2,010**	2,392
HK$	**11,395**	12,269
INR	**1,262**	1,325
VND	**7,488**	7,780
Others	**1,840**	1,963
	417,617	426,163

19. ACCRUALS AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Interest payables (note (a))	**1,006,122**	854,267
Accruals	**64,421**	62,257
Amount due to a director (note (b))	**3,851**	3,668
Amounts due to the Vendors (note (c))	**34,654**	11,801
Other payables	**10,207**	12,774
	1,119,255	944,767

19. ACCRUALS AND OTHER PAYABLES (Continued)

Notes:

(a) Included in the interest payables at the end of the reporting period, approximately HK$252,261,000 (2014: HK$212,802,000) 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.

(c) Amounts due to the Vendors represent the professional fees and expenses incurred by the Company in relation to the Amended Proposed Restructuring which are unsecured, non-interest bearing and have no fixed repayment term.

20. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans	**399,313**	398,944
Bank overdrafts	**11,483**	8,448
	410,796	407,392

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

	2015 HK$'000	2014 HK$'000
USD	**192,559**	192,985
HK$	**216,016**	211,585
EUR	**2,221**	2,822
	410,796	407,392

20. BANK BORROWINGS (Continued)

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

	Bank loans		Bank overdrafts	
	2015	2014	**2015**	2014
USD	**5.7%**	5.7%	**–**	–
HK$	**4.3%**	4.3%	**5.9%**	5.9%
EUR	**4.5%**	4.4%	**–**	–

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

21. FINANCIAL GUARANTEE LIABILITIES

The Company has given corporate guarantees to certain banks to secure for the general banking facilities of FMGSB, Exquisite Model Sdn. Bhd. ("EM") and Mobile Distribution (M) Sdn. Bhd. ("MDM") totaling approximately HK$5,269,000 (2014: HK$172,398,000). In view that FMGSB, EM and MDM are currently in liquidation, and on ground that the potential claims of these corporate guarantees granted by the Company may be exercised by the relevant banks, the aggregate provision for financial guarantee liabilities of approximately HK$165,251,000 (2014: HK$185,386,000) have been made against the potential uncovered exposures to be borne by the Company under such guarantees.

22. 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 Circular.

Interest of 8 per cent per annum will be paid monthly up until the Time Boomer Loan is converted or redeemed.

22. CONVERTIBLE LOANS (Continued)

(a) (Continued)

The interest charged for the year is calculated by applying an effective interest rate of 8.3% per annum to the liability component.

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 Circular.

The FA Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of 0% 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 announcements dated 12 May 2015, the repayment date of the TB Loan and the FA Loan has extended to 31 March 2016.

22. 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		
	Time Boomer	**First Apex**	**Total**
	HK$'000	HK$'000	HK$'000
Liability components at 1 January 2014	13,000	20,000	33,000
Interest charged	1,041	–	1,041
Interest paid	(257)	–	(257)
Interest included in accruals and other payables	(784)	–	(784)
Liability components at 31 December 2014 and 1 January 2015	13,000	20,000	33,000
Interest charged	5,384	–	5,384
Interest included in accruals and other payables	(5,384)	–	(5,384)
Liability components at 31 December 2015	**13,000**	**20,000**	**33,000**

The Directors estimate the fair value of the liability component of the convertible loans at 31 December 2015 to be approximately HK$33,000,000 (2014: HK$33,755,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

23. SHARE CAPITAL

	Number of ordinary shares HK$0.10 each	**HK$'000**
Authorised:		
At 31 December 2015 and 2014	**3,000,000,000**	**300,000**
Issued and fully paid:		
At 31 December 2015 and 2014	**1,945,996,565**	**194,600**

23. 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 2015 and 2014.

The capital structure of the Group consists of debt, which includes bank borrowings, financial guarantee liabilities and convertible loans as disclosed in notes 20, 21 and 22 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 payables, accruals and other payables and tax payables as shown in the consolidated statement of financial position).

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 **HK$'000**	2014 HK$'000
Total borrowings	**609,047**	625,778
Total assets	**191**	468
Gearing ratio	**318,873%**	133,713%

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.

24. 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

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	287,281	(1,659,361)	(1,372,080)
Loss for the year	–	(47,500)	(47,500)
At 31 December 2014 and 1 January 2015	287,281	(1,706,861)	(1,419,580)
Loss for the year	–	(39,834)	(39,834)
At 31 December 2015	287,281	(1,746,695)	(1,459,414)

(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.

24. 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.

25. OPERATING LEASE COMMITMENTS

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

	Land and buildings	
	2015	2014
	HK$'000	HK$'000
Within one year	**33**	166
In the second to fifth year, inclusive	**–**	33
	33	199

26. 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.

27. 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
			2015	2014	
Direct subsidiary:					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding
Indirect subsidiaries:					
é-Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	**95%**	95%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P$1 each	**100%**	100%	Inactive
First Telecom International Limited	Hong Kong	50,000,000 ordinary shares of HK$1 each	**100%**	100%	Inactive
		3,019,944 non-voting deferred shares of HK$1 each			
Lets Do Mobile Philippines Inc.	Republic of the Philippines	85,000,000 shares of P$1 each	**100%**	100%	Inactive
Matrix Star Limited	Hong Kong	1 ordinary shares of HK$1 each	**100%**	100%	Inactive
Mobile Distribution Limited	Hong Kong	1 ordinary shares 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%	Inactive

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2015 HK$'000	2014 HK$'000
Total assets		**80**	303
Total liabilities		**1,264,894**	1,225,283
NET LIABILITIES		**(1,264,814)**	(1,224,980)
Capital and reserves			
Share capital	23	**194,600**	194,600
Reserves	24(b)	**(1,459,414)**	(1,419,580)
TOTAL EQUITY		**(1,264,814)**	(1,224,980)

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2016.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	For the years ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**–**	–	–	23,186	58,602
Loss before tax	**(163,935)**	(117,477)	(188,903)	(203,242)	(178,012)
Income tax	**–**	–	25	11	6,255
Loss for the year	**(163,935)**	(117,477)	(188,878)	(203,231)	(171,757)
Attributable to:					
Owners of the Company	**(163,935)**	(117,477)	(188,878)	(203,228)	(171,719)
Non-controlling interests	**–**	–	–	(3)	(38)
	(163,935)	(117,477)	(188,878)	(203,231)	(171,757)

ASSETS AND LIABILITIES

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**–**	101	278	777	1,132
Current assets	**191**	367	664	5,483	15,792
Current liabilities	**(2,147,239)**	(1,998,163)	(1,904,869)	(1,732,532)	(1,539,553)
Non-current liabilities	**–**	–	–	–	(49)
Net liabilities	**(2,147,048)**	(1,997,695)	(1,903,927)	(1,726,272)	(1,522,678)
Attributable to:					
Owners of the Company	**(2,145,516)**	(1,996,163)	(1,902,395)	(1,724,740)	(1,521,149)
Non-controlling interests	**(1,532)**	(1,532)	(1,532)	(1,532)	(1,529)
Total deficits	**(2,147,048)**	(1,997,695)	(1,903,927)	(1,726,272)	(1,522,678)

FIRST MOBILE GROUP

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