

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

SUMMARY FINANCIAL INFORMATION OF THE GROUP

A summary of the results and the assets and liabilities of the Group as extracted from the relevant annual audited reports and interim reports of the Company is set out below:

RESULTS	For the years ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>23,186</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss before tax	(203,242)	(188,903)	(117,477)	(30,331)	(79,231)
Income tax	<u>11</u>	<u>25</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year/period	(203,231)	(188,878)	(117,477)	(30,331)	(79,231)
Other comprehensive income/ (loss) for the year/period	<u>(2,194)</u>	<u>11,223</u>	<u>23,709</u>	<u>2,838</u>	<u>11,700</u>
Total comprehensive loss for the year/period, net of tax	<u>(205,425)</u>	<u>(177,655)</u>	<u>(93,768)</u>	<u>(27,493)</u>	<u>(67,531)</u>
Loss for the year/period attributable to:					
Owners of the Company	(203,228)	(188,878)	(117,477)	(30,331)	(79,231)
Non-controlling interests	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(203,231)</u>	<u>(188,878)</u>	<u>(117,477)</u>	<u>(30,331)</u>	<u>(79,231)</u>
Total comprehensive loss for the year/period attributable to:					
Owners of the Company	(205,422)	(177,655)	(93,768)	(27,493)	(67,531)
Non-controlling interests	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(205,425)</u>	<u>(177,655)</u>	<u>(93,768)</u>	<u>(27,493)</u>	<u>(67,531)</u>
Loss per share					
Basic and diluted (HK cents per share)	<u>(10.44)</u>	<u>(9.71)</u>	<u>(6.04)</u>	<u>(1.56)</u>	<u>(4.07)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

ASSETS AND LIABILITIES	As at 31 December			As at
	2012	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	777	278	101	43
Current assets	5,483	664	367	423
Current liabilities	(1,732,532)	(1,904,869)	(1,998,163)	(2,065,692)
Non-current liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET LIABILITIES	<u>(1,726,272)</u>	<u>(1,903,927)</u>	<u>(1,997,695)</u>	<u>(2,065,226)</u>
Attributable to:				
Owners of the Company	(1,724,740)	(1,902,395)	(1,996,163)	(2,063,694)
Non-controlling interests	<u>(1,532)</u>	<u>(1,532)</u>	<u>(1,532)</u>	<u>(1,532)</u>
TOTAL EQUITY	<u>(1,726,272)</u>	<u>(1,903,927)</u>	<u>(1,997,695)</u>	<u>(2,065,226)</u>



**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF
FIRST MOBILE GROUP HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of First Mobile Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages II-[●] to II-[●], which comprise the consolidated and Company statements of financial position as at 31 December 2014, 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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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 2013 (the "2013 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 [●] 2014. Accordingly, we were then unable to form an opinion as to whether the 2013 Financial Statements gave a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the Group's results and cash flows for the year then ended.

2. No access to accounting books and records of a liquidated subsidiary and gain on deconsolidation of a liquidated subsidiary

As explained in note 10 to the consolidated financial statements, due to no access to the documents, accounting books and records of a liquidated subsidiary, First Mobile Group Sdn. Bhd. ("FMGSB"), we were unable to carry out audit procedures to satisfy ourselves as to whether the loss of approximately HK\$1,292,000 of FMGSB for the period from 1 January 2014 to 5 February 2014 and the net liabilities of approximately HK\$238,972,000 of FMGSB deconsolidated from the Group on 5 February 2014 were fairly stated.

In view of the circumstances mentioned above, we were also unable to carry out audit procedures to satisfy ourselves as to whether the gain on deconsolidation of FMGSB of approximately HK\$227,198,000, as included in the consolidated profit or loss of the Group, was fairly stated.

3. Financial guarantee liabilities

Certain general banking facilities of 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.

Due to insufficiency of supporting documentation and explanations as explained in point 2 above, we were unable to carry out audit procedures to satisfy ourselves as to whether the financial guarantee liabilities of approximately HK\$185,386,000 as included in the consolidated and Company statements of financial positions have been fairly stated.

We were also unable to carry out audit procedures to satisfy ourselves as to whether the provision for financial guarantee liabilities of approximately HK\$172,398,000 as included in consolidated profit or loss of the Group have been fairly stated.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Any adjustments to the figures as described from points 1 to 3 above might have a significant consequential effect on the Group's results and cash flows for the two years ended 31 December 2014 and 2013, the financial position of the Group as at 31 December 2014 and 2013 and the financial position of the Company as at 31 December 2014 and 2013, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for resumption of trading in the Company's shares and the restructuring of the Group has been submitted to the Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

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
Pang Hon Chung
Certified Public Accountants
Practising Certificate Number P05988
Hong Kong, [● March 2015]

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	8	—	—
Cost of sales		<u>—</u>	<u>—</u>
Gross profit		—	—
Other income	9	24	4,252
Selling and distribution expenses		(1)	(3)
General and administrative expenses		(20,455)	(19,028)
Other operating expenses		(159)	(7,558)
Provision for financial guarantee liabilities	23	(172,398)	—
Gain on deconsolidation of a liquidated subsidiary	10	<u>227,198</u>	<u>—</u>
Profit/(loss) from operations		34,209	(22,337)
Finance costs	11	<u>(151,686)</u>	<u>(166,566)</u>
Loss before tax		(117,477)	(188,903)
Income tax	12	<u>—</u>	<u>25</u>
Loss for the year attributable to owners of the Company	13, 14	<u>(117,477)</u>	<u>(188,878)</u>
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences reclassified to profit or loss upon deconsolidation of a liquidated subsidiary	10	8,859	—
Exchange differences on translation of foreign operations		<u>14,850</u>	<u>11,223</u>
		<u>23,709</u>	<u>11,223</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(93,768)</u>	<u>(177,655)</u>
Loss per share			
— Basic and diluted (HK cents per share)	17	<u>(6.04)</u>	<u>(9.71)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current asset			
Property, plant and equipment	<i>18</i>	<u>101</u>	<u>278</u>
Current assets			
Inventories		—	25
Prepayments, deposits and other receivables		285	188
Cash and bank balances		<u>82</u>	<u>451</u>
		<u>367</u>	<u>664</u>
Current liabilities			
Trade and bills payables	<i>20</i>	426,163	542,641
Accruals and other payables	<i>21</i>	944,767	790,340
Bank borrowings	<i>22</i>	407,392	478,483
Current tax liabilities		1,455	1,469
Financial guarantee liabilities	<i>23</i>	185,386	58,936
Convertible loans	<i>24</i>	<u>33,000</u>	<u>33,000</u>
		<u>1,998,163</u>	<u>1,904,869</u>
Net current liabilities		<u>(1,997,796)</u>	<u>(1,904,205)</u>
NET LIABILITIES		<u>(1,997,695)</u>	<u>(1,903,927)</u>
Capital and reserves			
Share capital	<i>25</i>	194,600	194,600
Reserves	<i>26</i>	<u>(2,190,763)</u>	<u>(2,096,995)</u>
Equity attributable to owners of the Company		(1,996,163)	(1,902,395)
Non-controlling interests		<u>(1,532)</u>	<u>(1,532)</u>
TOTAL EQUITY		<u>(1,997,695)</u>	<u>(1,903,927)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current assets			
Other receivable		285	275
Bank and cash balances		<u>18</u>	<u>21</u>
		<u>303</u>	<u>296</u>
Current liabilities			
Accruals and other payables		34,669	19,293
Amount due to subsidiaries	<i>19</i>	5,534	4,660
Financial guarantee liabilities	<i>23</i>	<u>1,185,080</u>	<u>1,153,823</u>
		<u>1,225,283</u>	<u>1,177,776</u>
NET LIABILITIES		<u><u>(1,224,980)</u></u>	<u><u>(1,177,480)</u></u>
Capital and reserves			
Share capital	<i>25</i>	194,600	194,600
Reserves	<i>26</i>	<u>(1,419,580)</u>	<u>(1,372,080)</u>
TOTAL EQUITY		<u><u>(1,224,980)</u></u>	<u><u>(1,177,480)</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company								
	Share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	194,600	127,539	3,982	22,681	2,609	(2,076,151)	(1,724,740)	(1,532)	(1,726,272)
Total comprehensive loss for the year	—	—	—	11,223	—	(188,878)	(177,655)	—	(177,655)
At 31 December 2013 and 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 loss for the year	—	—	—	23,709	—	(117,477)	(93,768)	—	(93,768)
At 31 December 2014	<u>194,600</u>	<u>127,539</u>	<u>3,982</u>	<u>57,613</u>	<u>2,609</u>	<u>(2,382,506)</u>	<u>(1,996,163)</u>	<u>(1,532)</u>	<u>(1,997,695)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cash flows from operating activities		
Loss before tax:	(117,477)	(188,903)
Adjustments for:		
Interest income	—	(1)
Finance costs	151,686	166,566
Depreciation of property, plant and equipment	179	388
Gains on disposal of property, plant and equipment	—	(112)
Impairment on trade receivables	—	419
Impairment on inventories	17	—
Reversal of impairment on trade receivables	—	(151)
Impairment on prepayments, deposits and other receivables	125	4,117
Reversal of impairment on other receivables	—	(3,545)
Provision for financial guarantee liabilities	172,398	—
Gain on deconsolidation of a liquidated subsidiary	(227,198)	—
Operating loss before working capital changes	(20,270)	(21,222)
Change in inventories	—	49
Change in trade receivables	—	595
Change in prepayments, deposits and other receivables	(239)	(484)
Change in trade and bills payables	1,200	1,261
Change in accruals and other payables	10,016	2,908
Cash used in operations	(9,293)	(16,893)
Overseas tax paid	(14)	(419)
Overseas tax refunded	—	3,545
Interest received	—	1
Interest paid	(257)	(1,040)
Net cash used in operating activities	<u>(9,564)</u>	<u>(14,806)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	—	(3)
Proceeds from disposals of property, plant and equipment	—	192
Net cash inflows on deconsolidation of a subsidiary	56,183	—
Net cash generated from investing activities	<u>56,183</u>	<u>189</u>
Cash flows from financing activities		
Repayment of finance lease payable	—	(106)
Net cash used in financing activities	<u>—</u>	<u>(106)</u>
Net increase in cash and cash equivalents	46,619	(14,723)
Effect of changes in foreign exchange rates	5,509	5,118
Cash and cash equivalents at beginning of year	(60,494)	(50,889)
Cash and cash equivalents at end of year	<u>(8,366)</u>	<u>(60,494)</u>
Analysis of cash and cash equivalents		
Bank and cash balances	82	451
Bank overdrafts, secured	(8,448)	(60,945)
	<u>(8,366)</u>	<u>(60,494)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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, KYI-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 29 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 has not satisfactorily demonstrated sufficiency of operations or asset under Rule 13.24 of the Listing Rules and the Company has been placed in the second stage of delisting procedures commencing on 26 May 2011 pursuant to PN17.

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

At the end of the second delisting stage, the Company did not provide a Resumption Proposal to the Stock Exchange to demonstrate its sufficiency of operations or assets for [REDACTED]. Therefore, the Stock Exchange placed the Company in the third delisting stage on 20 June 2012.

Subsequently, on 4 December 2012, the Company has submitted another resumption proposal to the Stock Exchange, which involves, inter alia, the Company's proposed acquisition of the entire equity interest in Chongqing Fuling Julong Electric Power Co., Ltd ("Julong") (the "Original Acquisition"). Further details of the Original Acquisition are described in the Group's Annual Report 2012 and the Company's announcement dated 21 December 2012, 18 January 2013, 13 May 2013, 24 June 2013 and 19 July 2013.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Proposed restructuring of the Group

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

To continue with the Resumption Proposal, the Company has identified a new target company and entered into an agreement (the "Acquisition Agreement") on 31 March 2014 with 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 the "Target Group"). Upon completion of the reorganisation of the Target Group, the Target Group will hold interest in certain real estate projects in Yangzhou, Jiangsu Province and Quanzhou, Fujian Province in the People's Republic of China.

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring (the "Amended Proposed Restructuring") which will now involve the proposed capital reorganisation and creditors schemes, the [REDACTED], the subscription and the working facility capitalisation, the acquisition, the application for the granting of the whitewash waiver and the disposal of the three companies together with their subsidiaries within the Group. The completion of the Amended Proposed Restructuring is conditional upon fulfilment of certain key conditions precedent which include, among other things, the passing of the resolutions by the shareholders of the Company at the extraordinary general meeting, the granting of the whitewash waiver by the Securities and Futures Commission of Hong Kong, the capital reorganisation becoming effective, and the submission of the Resumption Proposal to the Stock Exchange and the satisfaction of the conditions set out in the letter from the Stock Exchange to the Company granting in-principle approval to the Resumption Proposal.

The details of the conditions precedent and the updates on the Amended Proposed Restructuring are further described in the announcement dated 22 August 2014 (the "Amendment Announcement"). The Amended Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements in notes and paragraphs below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Amendment Announcement.

(a) Capital Reorganisation

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

(b) 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 been obtained, the Creditors Schemes will become legally binding on the Company and its creditors upon fulfilment 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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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 the subscription); (ii) the transfer of the Scheme Subsidiaries to Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the creditors under the Creditors Schemes; and (iii) all or any claims of the Retained Subsidiaries 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 Retained Subsidiaries to Scheme Company or the Scheme Administrators (or their nominees).

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

(c) *The Disposal*

According to the Company's announcements dated 31 October 2014, 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). 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 Marzo Holdings Limited, Value Day Limited and MDL (the "Disposed Companies"), each being a wholly-owned subsidiary of the Company (the "Disposal"). The Disposed Companies, together with their subsidiaries, are the Retained Subsidiaries which will be disposed of under the Amended Proposed Restructuring. Upon completion of the Disposal, the Company will no longer be interested in the Retained Subsidiaries.

(d) *Acquisition of the New Target*

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

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

The information relating to the acquisition agreement as required under the Takeovers Code and the Listing Rules will be set out in the Announcement.

As disclosed in the Company's announcement dated on 12 September 2014, the Company received a letter dated 11 September 2014 from the Listing (Review) Committee (the "LRC Letter"), which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a [REDACTED] 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 announcement dated on 31 October 2014 and 30 December 2014, the Company has made a [REDACTED] relating to the Acquisition of the New Target to the Stock Exchange on 30 October 2014 and the Stock Exchange is still in the process of reviewing the Company's [REDACTED].

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$117,477,000 (2013: HK\$188,878,000) for the year ended 31 December 2014 and as at that date, the Group had net current liabilities of approximately HK\$1,997,796,000 (2013: HK\$1,904,205,000) and net liabilities of approximately HK\$1,997,695,000 (2013: HK\$1,903,927,000) respectively.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. 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.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Consolidation

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

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

In the Company’s statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Foreign currency translation

(a) Functional and presentation currency

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

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

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

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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

(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.

Property, plant and equipment

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

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

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

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

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

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.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Financial guarantee contract liabilities

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

- (a) the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- (b) the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Convertible loans

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

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

Trade and other payables

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

Equity instruments

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

Revenue recognition

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

- (a) Revenue from the sale of mobile phones and related accessories is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the mobile phones and related accessories are delivered to customers and title has passed to the customers.
- (b) Rental income under operating leases is recognised on a straight line basis over the lease terms.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

Pursuant to the relevant regulations of the governments in Malaysia and Indonesia, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby these subsidiaries are required to contribute to the Schemes to fund the retirements benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employees with reference to the salary scale, as stipulated under the requirements in respective countries. The governments of respective countries are responsible for

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

the entire pension obligations payable to retired employees. The Schemes are defined contribution schemes. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to profit or loss as incurred.

The Group's subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$25,000 (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.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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.

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

6. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

Foreign exchange risk

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

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

At 31 December 2014, if HK\$ had weakened or strengthened by 5% (2013: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK\$2,937,000 (2013: HK\$3,901,000) 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 (2013: 50) basis points and all other variables were held constant, the loss before tax of the Group would increase or decrease by approximately HK\$992,000 (2013: 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 2014 and 2013 based on the carrying value of borrowings and payables reflected in the financial statements.

The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Amended Proposed Restructuring, as further explained in note 2 to the 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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

7. SEGMENT INFORMATION

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

8. REVENUE

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

9. OTHER INCOME

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	—	1
Gain on disposal of property, plant and equipment	—	112
Reversal of impairment on trade receivable	—	151
Reversal of impairment on other receivable	—	3,545
Sundry income	<u>24</u>	<u>443</u>
	<u>24</u>	<u>4,252</u>

10. GAIN ON DECONSOLIDATION OF A LIQUIDATED SUBSIDIARY

As detailed in the 2013 Financial Statements, a winding-up order was issued by the High Court in Malaysia, Shah Alam on 5 February 2014 ordering, among other things, that FMGSB, be wound up and that the official receiver of Malaysia be appointed as liquidator of FMGSB. As a result, the directors and the staffs of the Company were not able to access the documents, accounting books and records of FMGSB.

In view of the circumstances as described in the preceding paragraph, 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.

	<i>HK\$'000</i>
Net liabilities of the subsidiary deconsolidated:	
Prepayment, deposits and other receivables	17
Cash and bank 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	<u>(45,948)</u>
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	<u>8,859</u>
Gain on deconsolidation of a liquidated subsidiary	<u>(227,198)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	<i>HK\$'000</i>
Cash and cash equivalent deconsolidated:	
Cash and bank balances	24
Bank overdrafts	<u>(56,207)</u>
	<u>(56,183)</u>

11. FINANCE COSTS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on borrowings and payables wholly repayable within five years		
— bank borrowings	46,048	60,814
— finance leases	—	13
— convertible loans	1,041	1,172
— trade payables	<u>104,597</u>	<u>104,567</u>
	<u>151,686</u>	<u>166,566</u>

12. INCOME TAX

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Overseas:		
Over provision in prior year	<u>—</u>	<u>(25)</u>
	<u>—</u>	<u>(25)</u>

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:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax:	<u>(117,477)</u>	<u>(188,903)</u>
Calculated at a domestic tax rate of 16.5% (2013: 16.5%)	(19,384)	(31,169)
Effect of different tax rates in other countries	11,672	10,534
Income not subject to tax	(37,607)	(1,381)
Expenses not deductible for tax purpose	45,297	14,726
Over provision in prior year	—	(25)
Tax losses not recognised	<u>22</u>	<u>7,290</u>
	<u>—</u>	<u>(25)</u>

At the end of the reporting period, subject to agreement with tax authorities, the Group has unused tax losses of approximately HK\$2,318,544,000 (2013: HK\$2,318,521,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams of the Group.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

13. LOSS FOR THE YEAR

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	—	—
Auditor's remuneration	851	629
Depreciation of property, plant and equipment	179	388
Operating leases expenses	170	302
Impairment on inventories*	17	—
Impairment on trade receivables**	—	419
Impairment on prepayments, deposits and other receivables*	125	4,117
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	3,251	3,097
— retirement benefits scheme contributions	78	78
	3,329	3,175
Exchange losses*	—	335
Gains on disposals of property, plant and equipment*	—	(112)
Reversal of impairment on trade receivable	—	(151)
Reversal of impairment on other receivable	—	(3,545)
	—	(3,545)

* These items were included in other operating expenses.

** These items were included in general and administrative expenses.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK\$47,500,000 (2013: HK\$56,178,000).

15. DIRECTOR'S AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Salary <i>HK\$'000</i>	Retirement benefit costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Director:</i>			
Ng Kok Hong	1,063	17	1,080
Ng Kok Tai	—	—	—
Ng Kok Yang	—	—	—
	1,063	17	1,080
	1,063	17	1,080

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Salary <i>HK\$'000</i>	Retirement benefit costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Director:</i>			
Ng Kok Hong	1,065	15	1,080
Ng Kok Tai	—	—	—
Ng Kok Yang	—	—	—
	<u>1,065</u>	<u>15</u>	<u>1,080</u>

During the year ended 31 December 2014, 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\$2,967,000 (2013: HK\$2,965,000), HK\$1,950,000 (2013: HK\$1,950,000) and HK\$2,470,000 (2013: HK\$2,470,000). Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

(b) Five highest paid individuals

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Directors	1,080	1,080
Employees	<u>1,692</u>	<u>1,828</u>
	<u>2,772</u>	<u>2,908</u>

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries, allowances and benefit-in-kind	1,625	1,759
Retirement benefit costs	<u>67</u>	<u>69</u>
	<u>1,692</u>	<u>1,828</u>

Save as disclosed above, for the two years ended 31 December 2014 and 2013, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: nil).

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the year attributable to owners of the Company of approximately HK\$117,477,000 (2013: HK\$188,878,000) and the weighted average number of 1,945,996,565 (2013: 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.

18. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 January 2013	501	977	14,397	15,875
Additions	—	—	3	3
Disposals	—	(247)	(166)	(413)
Exchange differences	(106)	(8)	(193)	(307)
At 31 December 2013 and 1 January 2014	395	722	14,041	15,158
Exchange differences	—	—	(1)	(1)
At 31 December 2014	395	722	14,040	15,157
Accumulated depreciation:				
At 1 January 2013	456	841	13,801	15,098
Charge for the year	43	91	254	388
Disposals	—	(205)	(125)	(330)
Exchange differences	(104)	(5)	(167)	(276)
At 31 December 2013 and 1 January 2014	395	722	13,763	14,880
Charge for the year	—	—	179	179
Exchange differences	—	—	(3)	(3)
At 31 December 2014	395	722	13,939	15,056
Carrying amount:				
At 31 December 2014	—	—	101	101
At 31 December 2013	—	—	278	278

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

19. INVESTMENTS IN SUBSIDIARIES

	<i>Notes</i>	Company	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	(a)	233,433	233,433
Less: Impairments	(c)	<u>(233,433)</u>	<u>(233,433)</u>
		<u>—</u>	<u>—</u>
Amount due from subsidiaries	(b)	339,266	339,266
Less: Impairments	(c)	<u>(339,266)</u>	<u>(339,266)</u>
		<u>—</u>	<u>—</u>
Amount due to subsidiaries	(b)	<u>5,534</u>	<u>4,660</u>

Notes:

- (a) Particulars of principal subsidiaries are set out in note 29 to the financial statements.
- (b) The balances with subsidiaries were unsecured, interest free and had no fixed terms of repayment.
- (c) At 31 December 2014 and 2013, the Directors performed an impairment testing on the Group's investments in subsidiaries and the amount due from subsidiaries, and they considered that their carrying amounts are in excess of the recoverable amounts as a result of the persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK\$233,433,000 (2013: HK\$233,433,000) against the investments in subsidiaries and approximately HK\$339,266,000 (2013: HK\$339,266,000) were made against the amount due from subsidiaries at the end of the reporting period.

20. TRADE AND BILLS PAYABLES

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	426,163	438,073
Bills payables	<u>—</u>	<u>104,568</u>
	<u>426,163</u>	<u>542,641</u>

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\$401,529,000 (2013: HK\$409,375,000) 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 (2013: HK\$344,500,000) and approximately HK\$57,029,000 (2013: HK\$64,875,000) of which were interest-bearing at approximately 2.5% per month and at approximately 1.95% per annum respectively.

At the end of the reporting period, the Group has no bills payable (2013: The bills payables of the Group were interest-bearing at approximately 8.29% per annum).

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	344,511	408,372
EUR	55,923	65,047
RM	2,392	44,540
HK\$	12,269	13,448
INR	1,325	1,348
VND	7,780	7,857
Others	1,963	2,029
	<u>426,163</u>	<u>542,641</u>

21. ACCRUALS AND OTHER PAYABLES

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payables (<i>note (a)</i>)	854,267	705,557
Accrual	62,257	72,651
Amounts due to a director (<i>note (b)</i>)	3,668	972
Amounts due to the Vendors (<i>note (c)</i>)	11,801	—
Other payables	12,774	11,160
	<u>944,767</u>	<u>790,340</u>

Notes:

- (a) Included in the interest payables at the end of the reporting period, approximately HK\$212,802,000 (2013: HK\$172,911,000) 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 amounts due to a director are unsecured, non-interest bearing and no fixed repayment terms.
- (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 will be capitalized as a contribution after the completion of the Amended Proposed Restructuring.

22. BANK BORROWINGS

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured	398,946	417,537
Bank overdrafts, secured	8,446	60,946
	<u>407,392</u>	<u>478,483</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
USD	192,985	194,109
HK\$	211,585	209,050
RM	—	72,751
EUR	<u>2,822</u>	<u>2,573</u>
	<u>407,392</u>	<u>478,483</u>

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

	Bank loans		Bank overdrafts	
	2014	2013	2014	2013
USD	5.7%	5.7%	—	—
HK\$	4.3%	4.3%	5.9%	5.9%
RM	—	7.6%	—	9.1%
EUR	<u>4.4%</u>	<u>4.4%</u>	<u>—</u>	<u>—</u>

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

23. FINANCIAL GUARANTEE LIABILITIES

Group

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\$185,386,000. 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, a provision for financial guarantee liabilities of approximately HK\$172,398,000 have been made against the potential uncovered exposures to be borne by the Company under such guarantees.

Company

At 31 December 2014, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the former largest supplier of the Group to secure for the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK\$1,185,080,000 (2013: HK\$1,153,823,000) of which were utilised by the subsidiaries as at that date. The Group has breached certain bank covenant requirements and defaulted in repayment of certain bank borrowings. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK\$1,185,080,000 (2013: HK\$1,153,823,000) for the Company has been made against the probable uncovered exposures to be borne by the Company under those guarantees at the end of the reporting period.

24. 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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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 Announcement.

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

The interest charged for the year is calculated by applying an effective interest rate of 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 Announcement.

The FA Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of approximately 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 extend to 31 March 2016.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

The Directors estimate the fair value of the liability component of the convertible loans at 31 December 2014 to be approximately 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).

25. SHARE CAPITAL

	Company	
	<i>Number of ordinary shares HK\$0.10 each</i>	<i>HK\$'000</i>
Authorised:		
At 31 December 2013 and 2014	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31 December 2013 and 2014	<u>1,945,996,565</u>	<u>194,600</u>

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 2014 and 2013.

The capital structure of the Group consists of debt, which includes bank borrowings, financial guarantee liabilities and convertible loans as disclosed in notes 22, 23 and 24, and equity attributable to owners of the Company, comprising share capital and reserves.

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings	625,778	570,419
Total assets	<u>468</u>	<u>942</u>
Gearing ratio	<u>133,713%</u>	<u>60,554%</u>

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 financial statements.

26. 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	Capital reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2013	287,281	—	(1,603,183)	(1,315,902)
Loss for the year	<u>—</u>	<u>—</u>	<u>(56,178)</u>	<u>(56,178)</u>
At 31 December 2013 and 1 January 2014	287,281	—	(1,659,361)	(1,372,080)
Loss for the year	<u>—</u>	<u>—</u>	<u>(47,500)</u>	<u>(47,500)</u>
At 31 December 2014	<u>287,281</u>	<u>—</u>	<u>(1,706,861)</u>	<u>(1,419,580)</u>

(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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

(iii) Capital reserve

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

27. 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:

	2014 HK\$'000	2013 HK\$'000
Within one year	166	163
In the second to fifth years, inclusive	<u>33</u>	<u>199</u>
	<u>199</u>	<u>362</u>

28. 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 these financial statements.

29. 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
			2014	2013	
<i>Direct subsidiary:</i>					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US\$1 each	100%	100%	Investment holding

APPENDIX II

FINANCIAL INFORMATION 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
			2014	2013	
<i>Indirect subsidiaries:</i>					
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	HK\$50,000,000 ordinary shares HK\$3,019,944 non-voting deferred shares	100%	100%	Inactive
Lets Do Mobile Philippines Inc.	Republic of the Philippines	85,000,000 shares of P\$1 each	100%	100%	Inactive
Matrix Star Limited	Hong Kong	HK\$1 ordinary shares	100%	—	Inactive
Mobile Distribution Limited	Hong Kong	HK\$1 ordinary shares	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

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on [●] 2015.



**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF
FIRST MOBILE GROUP HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of First Mobile Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages II-[●] to II-[●], which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company (the “Directors”) are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Basis for disclaimer of opinion

1. No access to accounting books and records of a subsidiary in liquidation

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

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

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

	For the year ended 31 December 2013 HK\$'000
Income and expenses:	
Administrative expenses	(252)
Other operating expenses	(3,452)
Finance costs	<u>(15,045)</u>
Loss for the year	<u><u>(18,749)</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

As at
31 December
2013
HK\$'000

Assets and liabilities:

Prepayments, deposits and other receivables	16
Cash and bank balances	23
Trade and bills payables	(105,850)
Accruals and other payables	(6,089)
Bank overdrafts	(54,158)
Bank borrowings	<u>(18,593)</u>
 Net liabilities	 <u><u>(184,651)</u></u>

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

2. Financial guarantee liabilities

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

Any adjustments to the figures as described from points 1 to 2 above might have significant consequential effects on the Group's results and cash flows for the year ended 31 December 2013 and the financial position of the Group and of the Company as at 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for resumption of trading in the Company's shares and the restructuring of the Group has been submitted to the Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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, 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
Pang Hon Chung
Certified Public Accountants
Practising Certificate Number P05988
Hong Kong, [● 2014]

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2013

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash flows from operating activities			
Loss before tax:		(188,903)	(203,242)
Adjustments for:			
Interest income		(1)	(1)
Finance costs		166,566	162,989
Depreciation of property, plant and equipment		388	666
Gains on disposal of property, plant and equipment		(112)	(32)
Reversal of impairment on inventories		—	(981)
Impairment on trade receivables		419	447
Reversal of impairment on trade receivables		(151)	—
Impairment on prepayments, deposits and other receivables		4,117	13,843
Reversal of impairment on other receivables		(3,545)	—
Provision for financial guarantee liabilities		—	31,139
Gain on deconsolidation of a liquidated subsidiary	<i>10</i>	—	(24,508)
Operating loss before working capital changes		(21,222)	(19,680)
Change in inventories		49	2,648
Change in trade receivables		595	1,649
Change in prepayments, deposits and other receivables		(484)	(8,286)
Change in trade and bills payables		1,261	8,183
Change in accruals and other payables		2,908	(9,243)
Cash used in operations		(16,893)	(24,729)
Hong Kong profits tax paid		—	(25)
Overseas tax paid		(419)	(120)
Overseas tax refunded		3,545	—
Interest received		1	1
Interest paid		(1,040)	(1,043)
Net cash used in operating activities		<u>(14,806)</u>	<u>(25,916)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(3)	(430)
Proceeds from disposals of property, plant and equipment		192	129
Net cash inflows on deconsolidation of a subsidiary	<i>10</i>	—	2,579
Decrease in pledged bank deposits		—	221
Net cash generated from investing activities		<u>189</u>	<u>2,499</u>
Cash flows from financing activities			
Repayment of finance lease payable		(106)	(174)
Proceeds from issue of convertible loan		—	20,000
Net cash (used in)/generated from financing activities		<u>(106)</u>	<u>19,826</u>
Net increase in cash and cash equivalents		(14,723)	(3,591)
Effect of changes in foreign exchange rates		5,118	(2,504)
Cash and cash equivalents at beginning of year		(50,889)	(44,794)
Cash and cash equivalents at end of year		<u>(60,494)</u>	<u>(50,889)</u>
Analysis of cash and cash equivalents			
Bank and cash balances		451	678
Bank overdrafts, secured		(60,945)	(51,567)
		<u>(60,494)</u>	<u>(50,889)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2012	194,600	127,539	3,982	24,875	778	(1,872,923)	(1,521,149)	(1,529)	(1,522,678)
Total comprehensive loss for the year	—	—	—	(2,194)	—	(203,228)	(205,422)	(3)	(205,425)
Equity component of convertible loan	—	—	—	—	1,831	—	1,831	—	1,831
At 31 December 2012 and 1 January 2013	194,600	127,539	3,982	22,681	2,609	(2,076,151)	(1,724,740)	(1,532)	(1,726,272)
Total comprehensive income/(loss) for the year	—	—	—	11,223	—	(188,878)	(177,655)	—	(177,655)
At 31 December 2013	<u>194,600</u>	<u>127,539</u>	<u>3,982</u>	<u>33,904</u>	<u>2,609</u>	<u>(2,265,029)</u>	<u>(1,902,395)</u>	<u>(1,532)</u>	<u>(1,903,927)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

First Mobile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, KYI-1106, Grand Cayman, Cayman. The address of its principal place of business is Workshop 6, Level 1, Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its shares were suspended from trading since 27 November 2009.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 33 to the consolidated financial statements.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

At the request of the Company, trading in shares of the Company had been suspended since 27 November 2009. Pursuant to a letter from the Stock Exchange on 3 June 2010, among other things, the Company was required to submit a viable resumption proposal (the "Resumption Proposal") to the Stock Exchange, which should address the Company's ability to meet certain conditions for resumption of trading in shares of the Company.

On 2 November 2010, the Stock Exchange issued another letter to the Company informing that the Company had been placed in the first delisting stage under Practice Note 17 (the "PN 17") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company is required to submit a Resumption Proposal to the Stock Exchange by 1 May 2011 to demonstrate that the Company has:

- (a) sufficient level of operations or assets of sufficient value required under Rule 13.24 of the Listing Rules;
- (b) adequate internal controls to meet obligations under the Listing Rules; and
- (c) sufficient working capital for at least twelve months from resumption date.

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

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

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

Subsequently, on 4 December 2012, the Company has submitted another resumption proposal to the Stock Exchange, which involves, inter alia, the Company's proposed acquisition of the entire equity interest in Chongqing Fuling Julong Electric Power Co., Ltd ("Julong") (the "Original Acquisition"). Further details of the Original Acquisition are described in the Group's Annual Report 2012, the Acquisition of Julong and the Company's announcement dated 21 December 2012, 18 January 2013, 13 May 2013, 24 June 2013 and 19 July 2013.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Proposed restructuring of the Group

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

To continue with the Resumption Proposal, the Company has identified a new target company and entered into the Acquisition Agreement on 31 March 2014 with the Vendors, pursuant to which the Company will acquire the Sale Equity Interest. 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.

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring (the "Amended Proposed Restructuring") which will now involve the proposed capital reorganisation and creditors schemes; the proposed [REDACTED]; the subscription and the working facility capitalisation; the acquisition; the application for the granting of the whitewash waiver and the disposal. The completion of the Amended Proposed Restructuring is conditional upon fulfilment of certain key conditions precedent which include, among other things, the passing of the resolutions by the shareholders of the Company at the extraordinary general meeting; the granting of the whitewash waiver by the Securities and Futures Commission of Hong Kong; the capital reorganisation becoming effective; and the submission of the Resumption Proposal to the Stock Exchange and the satisfaction of the conditions set out in the letter by the Stock Exchange to the Company granting in-principle approval to the Resumption Proposal.

The details of the conditions precedent and the updates on the Amended Proposed Restructuring are further described in the announcement dated [22 August 2014] (the "Announcement"). The Amended Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements in notes and paragraphs below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcement.

(a) Capital Reorganisation

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

(b) Creditor Schemes

Pursuant to the proposed Creditor Schemes, upon effective, all or any claims against the Company will be compromised and discharged through (i) a cash payment of HK\$162 million (which will be funded by the Company out of the proceeds of the subscription and the [REDACTED]); (ii) the funds received through the realisation or winding up of the Scheme Subsidiaries after payment of their respective liabilities; and (iii) assignments and/or transfers of balances between Scheme Subsidiaries and the Company together with the Retained Subsidiaries up to the Effective Date to Newco or the Administrators (or their nominees) for the purpose of the Creditor Schemes.

At the Scheme Meeting held on 21 December 2010, the Creditor Schemes proposed to be made between the Company and the Creditors were unanimously approved by the Creditors attending and voting at such meeting in person or by proxy.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court. The Hong Kong Scheme will become effective and legally binding on the Company and the Creditors upon (i) fulfillment of conditions as stipulated under the Hong Kong Scheme, including amongst others, fulfillment of the specified conditions precedent to the Subscription Agreements; and (ii) filing of the abovementioned order of the High Court with the Registrar of Companies in Hong Kong.

On 28 April 2011, the scheme of arrangement proposed to be made between the Company and the Creditors pursuant to section 86 of the Companies Law of the Cayman Islands (the "Cayman Scheme") was sanctioned by the Grand Court. The Hong Kong Scheme and the Cayman Scheme will become effective and legally binding on the Company and the Creditors upon fulfillment of the specified conditions precedent to the Subscription Agreements.

(c) The Disposal

Subject to completion of the Acquisition, the Company will dispose of the Retained Subsidiaries which retained under the control of the Company through its wholly-owned subsidiary, Marzo Holdings Limited, Value Day Limited and Mobile Distribution Limited to some or all of the Existing Controlling Shareholders or their nominees, at consideration to be determined based on net carrying amounts of the assets and liabilities of the Retained Subsidiaries.

(d) Acquisition of the New Target

The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire equity interest in China General (HK) Company Limited ("China General"). As at the date of the Announcement, the entire issued share capital of China General is owned as to 45.0% by Mr. Shie and 55.0% by Mr. Tsoi respectively. Upon the completion of Acquisition, the Target Group will become wholly-owned subsidiaries of the Company.

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

The information relating to the acquisition agreement as required under the Takeovers Code and the Listing Rules will be set out in the Announcement.

As disclosed in the Company's announcement dated on 12 September 2014, the Company received a letter dated 11 September 2014 from the Listing (Review) Committee (the "LRC Letter"), which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a [REDACTED] 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.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$188,878,000 (2012: HK\$203,228,000) for the year ended 31 December 2013 and as at that date, the Group had net current liabilities of approximately HK\$1,904,205,000 (2012: HK\$1,727,049,000) and net liabilities of approximately HK\$1,903,927,000 (2012: HK\$1,726,272,000) respectively.

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

APPENDIX II

FINANCIAL INFORMATION 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 Creditors and allow the trading in the shares of the Company being resumed. The Directors are of the view that the major procedures of the Amended Proposed Restructuring will eventually be agreed upon by the Company’s Creditors, the Investor, the Vendors, the Company’s shareholders and any other parties concerned, and will be successfully implemented.

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year.

(a) Amendments to HKAS 1 “Presentation of Financial Statements”

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

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 consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

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

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Foreign currency translation

(a) *Functional and presentation currency*

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

(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 recognized 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 recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company’s presentation currency are translated into the Company’s presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated statement of profit or loss as part of the gain or loss on disposal.

Property, plant and equipment

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

Leases

(a) *Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(b) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

Inventories

Inventories primarily comprise mobile phones and related accessories for resale and are stated at the lower of cost and net realisable value. Cost is determined using first-in-first-out basis and comprise invoiced value of purchases, and where appropriate, freight, insurance and delivery charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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.

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Financial guarantee contract liabilities

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

- (a) the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- (b) the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

Convertible loans

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

Trade and other payables

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

Equity instruments

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

Revenue recognition

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

- (a) Revenue from the sale of mobile phones and related accessories is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the mobile phones and related accessories are delivered to customers and title has passed to the customers.
- (b) Rental income under operating leases is recognised on a straight line basis over the lease terms.
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

Pursuant to the relevant regulations of the governments in Malaysia and Indonesia, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the “Schemes”) whereby these subsidiaries are required to contribute to the Schemes to fund the retirements benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employees with reference to the salary scale, as stipulated under the requirements in respective countries. The governments of respective countries are responsible for the entire pension obligations payable to retired employees. The Schemes are defined contribution schemes. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to 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\$20,000 (HK\$25,000, with effect from 1 June 2012) and are charged to profit or loss as they become payable in accordance with the

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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).

Segment reporting

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

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

Impairment of assets

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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.

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Key sources of estimation uncertainty

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

(a) *Income tax*

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

(b) *Interest payables*

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

6. FINANCIAL RISK MANAGEMENT

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

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

(a) **Market risk**

Foreign exchange risk

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

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

At 31 December 2013, if HK\$ had weakened or strengthened by 5% (2012: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK\$3,901,000 (2012: HK\$3,233,000) higher or lower, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade receivables, trade payables and bank borrowings in relation to the operation in Hong Kong.

Interest rate risk

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

(b) Credit risk

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

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 96% (2012: 51%) and approximately 100% (2012: 78%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group encounters difficulty in meeting its current obligations when they fall due. Most of the Group's debts would be repayable on demand or within one year as at 31 December 2013 and 2012 based on the carrying value of borrowings and payables reflected in the financial statements.

The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the Amended Proposed Restructuring, as further explained in note 2 to the financial statements.

(d) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

The Group's revenue and loss for the years ended 31 December 2013 and 2012 were mainly derived from its only operating segment of trading and distribution of mobile phones and related accessories.

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Geographical information:

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

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

8. REVENUE

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

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover from sales of mobile phones and related accessories, net	<u>—</u>	<u>23,186</u>

9. OTHER INCOME

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	1	1
Gain on disposal of property, plant and equipment	112	32
Reversal of impairment on trade receivable	151	—
Reversal of impairment on other receivable	3,545	—
Sundry income	<u>443</u>	<u>109</u>
	<u>4,252</u>	<u>142</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

10. GAIN ON DECONSOLIDATION OF A LIQUIDATED SUBSIDIARY

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

	MDM 2012 HK\$'000
Net liabilities of the subsidiary deconsolidated:	
Cash and bank balances	2
Trade and bills payables	(5,527)
Accruals and other payables	(112)
Amounts due to the Group	(23,137)
Bank overdrafts	(2,581)
Bank borrowings	<u>(17,804)</u>
Net liabilities of the deconsolidated subsidiary	(49,159)
Impairment of amount due from the deconsolidated subsidiary	23,137
Release of the related foreign currency translation reserves	<u>1,514</u>
Gain on deconsolidation of a liquidated subsidiary	<u><u>(24,508)</u></u>

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

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

11. FINANCE COSTS

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

12. INCOME TAX

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

No provision for Hong Kong profits tax has been made for the year, as the Group has no estimated assessable profits arising in Hong Kong and overseas. Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits for last year. Tax on overseas profits had been calculated on the estimated assessable profits for that year at the rates of tax prevailing in the countries in which the Group operates.

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

13. LOSS FOR THE YEAR

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

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

* These items were included in other operating expenses.

** These items were included in general and administrative expenses.

The impairments on inventories were reversed as their carrying amounts were subsequently recovered with the higher net realisable values.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK\$56,178,000 (2012: HK\$59,668,000).

15. DIRECTOR'S AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Salary <i>HK\$'000</i>	Retirement benefit costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Director:</i>			
Ng Kok Hong	1,065	15	1,080
Ng Kok Tai	—	—	—
Ng Kok Yang	—	—	—
	<u>1,065</u>	<u>15</u>	<u>1,080</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

During the year ended 31 December 2013, Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang, being executive Directors of the Company, have agreed to waive their emoluments of approximately HK\$2,965,000 (2012: HK\$3,010,000), HK\$1,950,000 (2012: HK\$1,899,000) and HK\$2,470,000 (2012: HK\$2,470,000). 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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Directors	1,080	1,034
Employees	<u>1,828</u>	<u>2,146</u>
	<u>2,908</u>	<u>3,180</u>

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

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

Save as disclosed above, for the two years ended 31 December 2013 and 2012, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: nil).

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

17. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the year attributable to owners of the Company of approximately HK\$188,878,000 (2012: HK\$203,228,000) and the weighted average number of 1,945,996,565 (2012: 1,945,996,565) ordinary shares in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the exercise of the Group's outstanding convertible loans would be anti-dilutive for both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 January 2012	658	1,198	14,079	15,935
Additions	26	—	404	430
Disposals	—	(205)	(18)	(223)
Written off during the year	(151)	—	—	(151)
Exchange differences	(32)	(16)	(68)	(116)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012 and 1 January 2013	501	977	14,397	15,875
Additions	—	—	3	3
Disposals	—	(247)	(166)	(413)
Exchange differences	(106)	(8)	(193)	(307)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2013	<u>395</u>	<u>722</u>	<u>14,041</u>	<u>15,158</u>
Accumulated depreciation:				
At 1 January 2012	503	793	13,507	14,803
Charge for the year	132	181	346	659
Disposals	—	(122)	(4)	(126)
Eliminated on written off	(151)	—	—	(151)
Exchange differences	(28)	(11)	(48)	(87)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012 and 1 January 2013	456	841	13,801	15,098
Charge for the year	43	91	254	388
Disposals	—	(205)	(125)	(330)
Exchange differences	(104)	(5)	(167)	(276)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2013	<u>395</u>	<u>722</u>	<u>13,763</u>	<u>14,880</u>
Carrying amount:				
At 31 December 2013	<u> </u>	<u> </u>	<u>278</u>	<u>278</u>
At 31 December 2012	<u>45</u>	<u>136</u>	<u>596</u>	<u>777</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

The net carry amounts of the Group's assets under finance leases included in the total amounts of motor vehicles at the end of the reporting period amounted to approximately HK\$nil (2012: HK\$136,000).

19. INVESTMENTS IN SUBSIDIARIES

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

Notes:

- (a) Particulars of principal subsidiaries are set out in note 36 to the financial statements.
- (b) The balances with subsidiaries were unsecured, interest free and had no fixed terms of repayment.
- (c) At 31 December 2013 and 2012, the Directors performed an impairment testing on the Group's investments in subsidiaries and the amount due from a subsidiary, and they considered that their carrying amounts are in excess of the recoverable amounts as a result of the persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK\$233,433,000 (2012: HK\$233,433,000) against the investments in subsidiaries and approximately HK\$339,266,000 (2012: HK\$339,266,000) were made against the amount due from a subsidiary at the end of the reporting period.

20. INVENTORIES

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

21. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 30 days (2012: 30 days), except for the sales made to certain creditworthy customers to which a longer credit period may be granted on a case by case basis. At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
1-30 days	—	173
31-60 days	—	21
61-90 days	—	—
91-120 days	—	21
Over 120 days	1,237,044	1,239,000
Less: Impairments	<u>(1,237,044)</u>	<u>(1,238,347)</u>
	<u>—</u>	<u>868</u>

The creation or release of provision for impaired trade receivable have been included in "General and administrative expenses" of the consolidated statement of profit or loss. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering additional cash.

At the end of the reporting period, trade receivables of the Group amounting to approximately HK\$1,237,044,000 (2012: HK\$1,238,347,000) were impaired. The individually impaired trade receivables mainly related to customers that had prolonged their repayment due to unexpected financial difficulties.

Movements on the impairment of trade receivables are as follows:

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

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Included in the impairments recognised in respect of prepayments, deposits and other receivables were individually impaired deposits and other receivables with the aggregate amounts of approximately HK\$18,884,000 (2012: HK\$20,966,000) with the equivalent gross amounts at the end of reporting period. The individually impaired amounts relate to counterparties that were in default of repayment. The Group did not hold any collateral or other credit enhancements over these balances.

Save as disclosed, none of the above assets was either past due or impaired, and the financial assets included in the above balances related to receivables for which there was no recent history of default.

23. TRADE AND BILLS PAYABLES

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

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

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

Included in the trade payables at the end of the reporting period, approximately HK\$409,375,000 (2012: HK\$406,589,000) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain trade insurance companies. Included in the guaranteed trade payables, approximately HK\$344,500,000 (2012: HK\$344,500,000) and approximately HK\$64,875,000 (2012: HK\$62,089,000) of which were interest-bearing at approximately 2.5% per month and at approximately 1.95% per annum respectively.

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

24. ACCRUALS AND OTHER PAYABLES

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest payables	658,524	487,193
Accrual	78,872	54,861
Other payables	<u>52,944</u>	<u>81,664</u>
	<u><u>790,340</u></u>	<u><u>623,718</u></u>

Included in the interest payables at the end of the reporting period, approximately HK\$172,911,000 (2012: HK\$113,102,568) of which were secured by certain corporate guarantees granted by the Company to the former largest supplier of the Group and certain banks.

25. BANK BORROWINGS

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured	417,537	417,178
Bank overdrafts, secured	<u>60,946</u>	<u>51,567</u>
	<u><u>478,483</u></u>	<u><u>468,745</u></u>

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

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

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

	Bank loans		Bank overdrafts	
	2013	2012	2013	2012
USD	5.7%	5.7%	—	—
HK\$	4.3%	4.3%	5.9%	5.9%
RM	7.6%	7.6%	9.1%	9.1%
EUR	<u>4.4%</u>	<u>4.4%</u>	<u>—</u>	<u>—</u>

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

26. FINANCE LEASE PAYABLES

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2013 HK\$'000	Minimum lease payments 2012 HK\$'000	Group Present value of minimum lease payments 2013 HK\$'000	Present value of minimum lease payments 2012 HK\$'000
Total minimum finance lease payment payables within one year	—	130	—	230
Future finance charges	—	(24)		
Total net finance lease payables	—	106		
Portion classified as current liabilities	—	(106)		
Non-current portion	—	—		

It is the Group’s policy to lease certain of its motor vehicles under finance leases. At the end of the reporting period, the average effective borrowing rate was nil (2012: 3.9%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group’s finance lease payables are secured by the lessor’s title to the leased assets.

27. FINANCIAL GUARANTEE LIABILITIES

Group

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

Company

At 31 December 2013, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the former largest supplier of the Group to secure for the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK\$1,153,823,000 (2012: HK\$1,110,158,000) of which were utilised by the subsidiaries as at that date. The Group has breached certain bank covenant requirements and defaulted in repayment of certain bank borrowings. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK\$1,153,823,000 (2012: HK\$1,110,158,000) for the Company has been made against the probable uncovered exposures to be borne by the Company under those guarantees at the end of the reporting period.

28. CONVERTIBLE LOANS

- (a) Time Boomer Limited (“Time Boomer”), a party nominated by the Investor to provide HK\$13 million out of HK\$50 million standby working capital facility pursuant to the terms of the Exclusivity Agreements, entered into the Loan Agreements (the “TB Loan”) and Option Agreements (the “TB

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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 Announcement.

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

The interest charged for the year is calculated by applying an effective interest rate of 8.6% 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 Announcement.

The FA Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of 1.25% 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.

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

	Convertible Loans — Group		
	Time Boomer	First Apex	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Liability components at 1 January 2012	12,561	18,169	30,730
Interest charged	1,458	1,723	3,181
Interest paid	<u>(1,043)</u>	<u>—</u>	<u>(1,043)</u>
Liability component at 31 December 2011 and 1 January 2012	12,976	19,892	32,868
Interest charged	1,064	108	1,172
Interest paid	<u>(1,040)</u>	<u>—</u>	<u>(1,040)</u>
Liability components at 31 December 2013	<u><u>13,000</u></u>	<u><u>20,000</u></u>	<u><u>33,000</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

29. SHARE CAPITAL

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

Capital Management

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

The capital structure of the Group consists of debt, which includes bank borrowings, finance lease payables, financial guarantee liabilities and convertible loans as disclosed in notes 25, 26, 27 and 28, and equity attributable to owners of the Company, comprising share capital and reserves.

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

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

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

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 financial statements.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

30. RESERVES

(a) Group

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

(b) Company

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

(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.

(iii) Capital reserve

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

31. 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	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	163	277
In the second to fifth years, inclusive	199	26
	362	303

32. EVENTS AFTER THE REPORTING PERIOD

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

33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2013	2012	
<i>Direct subsidiary:</i>					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US\$1 each	100%	100%	Investment holding
<i>Indirect subsidiaries:</i>					
é-Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	95%	95%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P\$1 each	100%	100%	Inactive
First Mobile Group Sdn. Bhd.	Malaysia	500,000 ordinary shares of RM1 each	100%	100%	Inactive
First Telecom International Limited	Hong Kong	50,000,000 ordinary shares of HK\$1 each 3,019,944 non-voting deferred shares of HK\$1 each	100%	100%	Inactive

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2013	2012	
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%	—	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%	Scale-down of operation

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on [● 2014].

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

INDEPENDENT AUDITOR’S REPORT

**TO THE SHAREHOLDERS OF
FIRST MOBILE GROUP HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of First Mobile Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages II-[●] to II-[●], which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS’ RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company (the “Directors”) are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

BASIS FOR DISCLAIMER OF OPINION

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that the Company has been pursuing a proposed restructuring. The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the proposed restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the significance of the material uncertainty relating to the going concern basis as described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited

Certified Public Accountants

Chen Chi Hing

Practising Certificate Number P05068

Hong Kong, 21 March 2013

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Non-current asset			
Property, plant and equipment	18	<u>777</u>	<u>1,132</u>
Current assets			
Inventories	20	74	1,843
Trade receivables	21	868	3,151
Prepayments, deposits and other receivables	22	3,863	9,682
Pledged bank deposits	23	—	213
Cash and bank balances	23	<u>678</u>	<u>903</u>
		<u>5,483</u>	<u>15,792</u>
Current liabilities			
Trade and bills payables	24	546,246	543,590
Accruals and other payables	25	623,718	473,265
Bank borrowings	26	468,745	480,040
Finance lease payables	27	106	231
Current tax liabilities		1,913	2,069
Financial guarantee liabilities	28	58,936	27,797
Convertible loans	29	<u>32,868</u>	<u>12,561</u>
		<u>1,732,532</u>	<u>1,539,553</u>
Net current liabilities		<u>(1,727,049)</u>	<u>(1,523,761)</u>
Total assets less current liabilities		<u>(1,726,272)</u>	<u>(1,522,629)</u>
Non-current liability			
Finance lease payables	27	<u>—</u>	<u>49</u>
NET LIABILITIES		<u>(1,726,272)</u>	<u>(1,522,678)</u>
Capital and reserves			
Share capital	30	194,600	194,600
Reserves		<u>(1,919,340)</u>	<u>(1,715,749)</u>
Equity attributable to owners of the Company		(1,724,740)	(1,521,149)
Non-controlling interests		<u>(1,532)</u>	<u>(1,529)</u>
TOTAL EQUITY		<u>(1,726,272)</u>	<u>(1,522,678)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Capital reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2011	194,600	127,539	3,982	22,057	7,597	(1,708,801)	(1,353,026)	(1,492)	(1,354,518)
Total comprehensive income/(loss) for the year	—	—	—	2,818	—	(171,719)	(168,901)	(37)	(168,938)
Equity component of convertible loan	—	—	—	—	778	—	778	—	778
Transfer upon lapse of share options	—	—	—	—	(7,597)	7,597	—	—	—
At 31 December 2011 and 1 January 2012	194,600	127,539	3,982	24,875	778	(1,872,923)	(1,521,149)	(1,529)	(1,522,678)
Total comprehensive loss for the year	—	—	—	(2,194)	—	(203,228)	(205,422)	(3)	(205,425)
Equity component of convertible loan	—	—	—	—	1,831	—	1,831	—	1,831
At 31 December 2012	<u>194,600</u>	<u>127,539</u>	<u>3,982</u>	<u>22,681</u>	<u>2,609</u>	<u>(2,076,151)</u>	<u>(1,724,740)</u>	<u>(1,532)</u>	<u>(1,726,272)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash flows from investing activities			
Purchases of property, plant and equipment		(430)	(680)
Proceeds from disposals of property, plant and equipment		129	1,702
Net cash inflows from deconsolidation of a liquidating subsidiary	<i>10</i>	2,579	26,551
Decrease in pledged bank deposits		<u>221</u>	<u>27</u>
Net cash generated from investing activities		<u>2,499</u>	<u>27,600</u>
Cash flows from financing activities			
Repayment of bank borrowings		—	(863)
Repayment of finance lease payable		(174)	(450)
Proceed from issue of convertible loan		<u>20,000</u>	<u>13,000</u>
Net cash generated from financing activities		<u>19,826</u>	<u>11,687</u>
Net (decrease)/increase in cash and cash equivalents			
		(3,591)	13,600
Effect of changes in foreign exchange rates		(2,504)	4,469
Cash and cash equivalents at beginning of year		<u>(44,794)</u>	<u>(62,863)</u>
Cash and cash equivalents at end of year		<u><u>(50,889)</u></u>	<u><u>(44,794)</u></u>
Analysis of cash and cash equivalents			
Cash and bank balances		678	903
Bank overdrafts, secured		<u>(51,567)</u>	<u>(45,697)</u>
		<u><u>(50,889)</u></u>	<u><u>(44,794)</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

First Mobile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, KY1-1106, Grand Cayman, Cayman. The address of its principal place of business is Workshop 6, Level 1, Wah Yiu Industrial Centre, 30-32 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its shares have been suspended from trading since 27 November 2009.

The Company is an investment holding company. The Group's principal activities have not changed during the year and is engaged in the trading and distribution of mobile phones and related accessories.

2. BASIS OF PREPARATION

Suspension of Trading in Shares of the Company

At the request of the Company, trading in shares of the Company had been suspended since 27 November 2009. Pursuant to a letter from the Stock Exchange on 3 June 2010, among other things, the Company was required to submit a viable resumption proposal (the "Resumption Proposal") to the Stock Exchange, which should address the Company's ability to meet certain conditions for resumption of trading in shares of the Company.

On 2 November 2010, the Stock Exchange issued another letter to the Company informing that the Company had been placed in the first delisting stage under Practice Note 17 (the "PN 17") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company is required to submit a Resumption Proposal to the Stock Exchange by 1 May 2011 to demonstrate that the Company has:

- (a) sufficient level of operations or assets of sufficient value required under Rule 13.24 of the Listing Rules;
- (b) adequate internal controls to meet obligations under the Listing Rules; and
- (c) sufficient working capital for at least twelve months from resumption date.

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

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Proposed Restructuring of the Group (the “Proposed Restructuring”)

As described in the Company’s announcement on 5 July 2010, the Company, the potential investor, the major shareholders and the authorised agent of the creditors, Deloitte Touche Tohmatsu (“Deloitte”), entered into the exclusivity agreement (the “Exclusivity Agreements”) on 25 June 2010 for the purpose of the Proposed Restructuring. The Proposed Restructuring will be carried out by way of either the debt acquisition or the scheme of arrangement depending on the indication of preference by the creditors during the creditors’ election period.

On 18 August 2010, the Company announced that, upon the expiry date of the creditors’ election period, it was determined on 12 August 2010 that the Proposed Restructuring will be carried out by way of the scheme of arrangement in accordance with the Exclusivity Agreements as determined by the indication of preference received from the relevant creditors during the creditors’ election period. Furthermore, creditors whose indebtedness represents more than 75% in value of the total indebtedness had executed the standstill agreement (the “Standstill Agreements”) with the Group during the creditors’ election period. Approval was sought, and obtained, from creditors for an extension of the standstill period under the Standstill Agreements to 31 October 2015.

On 30 April 2015, the Company entered into a second supplemental deed to the TB Option Agreement with Time Boomer, a supplemental deed to the New FA Option Agreement with First Apex and a further supplemental agreement to the Original Subscription Agreement with Jinwu Limited respectively to, among other things, to extend the long stop date to 31 March 2016.

On 30 April 2015, MDL also entered into a second supplemental deed to the FA Loan Agreement with First Apex and a second supplemental deed to the TB Loan Agreement with Time Boomer respectively to, among other things, extend the repayment date of each of the loans granted under the FA Loan Agreement and TB Loan Agreement to 31 March 2016.

The revised Proposed Restructuring involves, among other things, the proposed capital reorganisation, proposed creditor schemes and group reorganisation, and proposed subscription for new shares, proposed application for the granting of the whitewash waiver and the Proposed Acquisition. The completion of the revised Proposed Restructuring is conditional upon fulfilment of certain key conditions precedent which include, among other things, the passing of the resolutions by the shareholders of the Company at the extraordinary general meeting; the granting of the whitewash waiver by the Securities and Futures Commission of Hong Kong; the capital reorganisation becoming effective; and the submission of the Resumption Proposal to the Stock Exchange and the satisfaction of the conditions set out in the letter by the Stock Exchange to the Company granting in-principle approval to the Resumption Proposal.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

The details of the conditions precedent and the updates on the revised Proposed Restructuring are further described in the announcements of the Company on 16 September 2010, 30 September 2010, 24 December 2010, 14 February 2011, 6 May 2011, 14 July 2011, 14 February 2012 and 21 December 2012. (hereinafter referred to as the "Announcements"). The revised Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements in notes and paragraphs below. Unless otherwise specified, capitalised terms used herein shall have the same meanings as in those Announcements.

(a) Capital Reorganisation

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

(b) Creditor Schemes

Pursuant to the proposed Creditor Schemes, upon effective, all or any claims against the Company will be compromised and discharged through (i) a cash payment of HK\$162 million (which will be funded by the Company out of the proceeds of the Subscription); (ii) the funds received through the realisation or winding up of the Scheme Subsidiaries after payment of their respective liabilities; and (iii) assignments and/or transfers of balances between Scheme Subsidiaries and the Company together with the Retained Subsidiaries up to the Effective Date to Newco or the Administrators (or their nominees) for the purpose of the Creditor Schemes.

At the Scheme Meeting held on 21 December 2010, the Creditor Schemes proposed to be made between the Company and the Creditors were unanimously approved by the Creditors attending and voting at such meeting in person or by proxy.

On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court. The Hong Kong Scheme will become effective and legally binding on the Company and the Creditors upon (i) fulfillment of conditions as stipulated under the Hong Kong Scheme, including amongst others, fulfillment of the specified conditions precedent to the Subscription Agreements; and (ii) filing of the abovementioned order of the High Court with the Registrar of Companies in Hong Kong.

On 28 April 2011, the scheme of arrangement proposed to be made between the Company and the Creditors pursuant to section 86 of the Companies Law of the Cayman Islands (the "Cayman Scheme") was sanctioned by the Grand Court. The Hong Kong Scheme and the Cayman Scheme will become effective and legally binding on the Company and the Creditors upon fulfillment of the specified conditions precedent to the Subscription Agreements.

(c) Group Reorganisation

The proposed Creditor Schemes and Group Reorganisation will split the Group into (i) the Retained Subsidiaries retained under the control of the Company through its wholly-owned subsidiary, Marzo Holdings Limited, a SPV newly incorporated; and (ii) the Scheme Subsidiaries to be held outside the Restructured Group by a Newco which is wholly-owned by the Administrators for the purpose of holding the Scheme Subsidiaries.

The Group Reorganisation, being part of the Creditor Schemes which were approved by the Creditors at the scheme meeting held on 21 December 2010, if carried out at the date of the abovementioned scheme meeting, shall constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and subject to the Listing Rules requirement for notification and publication of an announcement. The relevant announcement was made on 24 December 2010.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

(d) Subscription for New Shares

Pursuant to the Subscription Agreements dated 27 August 2010 (as amended by the side letters dated 15 September 2010, 23 December 2010, 31 March 2011, 7 July 2011, 2 November 2011, 30 March 2012, and the supplemental subscription agreement dated 28 September 2010), the Company has conditionally agreed to allot and issue to the Investor, and the Investor has conditionally agreed to subscribe for 925,714,285 Subscription Shares, at a Subscription Price of approximately HK\$0.175 per Subscription Share, for a total cash consideration, before expenses, of HK\$162 million.

(e) Acquisition of Julong

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

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

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

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

Going Concern Basis

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Consolidation

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

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

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

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Foreign Currency Translation

(a) Functional and presentation currency

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

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

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

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Property, Plant and Equipment

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

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

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

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

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

Leases

(a) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(b) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

Inventories

Inventories primarily comprise mobile phones and related accessories for resale and are stated at the lower of cost and net realisable value. Cost is determined using first-in-first-out basis and comprise invoiced value of purchases, and where appropriate, freight, insurance and delivery charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and Derecognition of Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and Cash Equivalents

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Financial Liabilities and Equity Instruments

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

Borrowings

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

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

Financial Guarantee Contract Liabilities

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

- (a) the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- (b) the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

Convertible Loans

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

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

Trade and Other Payables

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

Equity Instruments

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Revenue Recognition

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

- (a) Revenue from the sale of mobile phones and related accessories is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the mobile phones and related accessories are delivered to customers and title has passed to the customers;
- (b) Rental income under operating leases is recognised on a straight line basis over the lease terms; and
- (c) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee Benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

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

The Group’s subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (“MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees’ relevant income, subject to a ceiling of monthly relevant income of HK\$20,000 (HK\$25,000, with effect from 1 June 2012) and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related Parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment Reporting

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

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

Impairment of Assets

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

Provisions and Contingent Liabilities

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

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

Events after the Reporting Period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical Judgements in Applying Accounting Policies

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

Going Concern Basis

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Key Sources of Estimation Uncertainty

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

(a) Impairment of assets

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

(b) Property, plant and equipment and depreciation

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

(c) Income tax

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

(d) Impairment loss for bad and doubtful debts

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

(e) Net realisable value of inventories

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

6. FINANCIAL RISK MANAGEMENT

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

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

(A) Market Risk

Foreign exchange risk

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

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

At 31 December 2012, if HK\$ had weakened or strengthened by 5% (2011: 5%) against EUR, with all other variables held constant, loss before tax for the year would have been approximately HK\$3,233,000 (2011: HK\$3,232,000) lower or higher, mainly as a result of foreign exchange gains or losses on translation of EUR-denominated trade payables and bank borrowings in relation to the operation in Hong Kong.

Interest rate risk

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

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

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

(B) Credit Risk

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

(C) Liquidity Risk

The Group encounters difficulty in meeting its current obligations when they fall due. Most of the Group's debts would be repayable on demand or within one year as at 31 December 2012 and 2011 based on the carrying value of borrowings and payables reflected in the financial statements.

The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the revised Proposed Restructuring, as further explained in note 2 to the consolidated financial statements.

(D) Fair Value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

The Group's revenue and loss for the years ended 31 December 2012 and 2011 were mainly derived from its only operating segment of trading and distribution of mobile phones and related accessories.

Segment profits or losses do not include interest income, finance costs, income tax and unallocated income and expenses. Segment assets consist primarily of property, plant and equipment, inventories, trade receivables, other receivables, prepayments and operating cash, and mainly exclude tax assets and other unallocated assets. Segment liabilities comprise operating liabilities and exclude items such as bank borrowings, finance lease payables, tax payables, financial guarantee liabilities and convertible loans. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

Geographical information:

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

8. REVENUE

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover from sales of mobile phones and related accessories, net	23,186	58,555
Other rental income	—	47
	<u>23,186</u>	<u>58,602</u>

9. OTHER INCOME

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

10. GAIN ON DECONSOLIDATION OF A LIQUIDATING SUBSIDIARY

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

* On 6 December 2011, Exquisite Model Sdn. Bhd. (“EM”), an indirect wholly-owned subsidiary of the Company, was wound up and that the official receiver of Malaysia be appointed as liquidator of EM. The Directors considered that the control over EM was lost since then. The results, assets and liabilities, and cash flows of EM were deconsolidated from the Group’s consolidated financial statements with effect from 6 December 2011.

11. FINANCE COSTS

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

12. INCOME TAX

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong profits tax:		
Provision for the year	—	37
Over provision in prior year	(11)	—
Deferred tax	<u>—</u>	<u>(6,292)</u>
	<u><u>(11)</u></u>	<u><u>(6,255)</u></u>

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

13. LOSS FOR THE YEAR

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

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

* These items were included in other income or other operating expenses.

** These items were included in general and administrative expenses.

The impairments on inventories were reversed as their carrying amounts were subsequently recovered with the higher net realisable values.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK\$59,668,000 (2011: HK\$95,351,000).

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(A) Directors' Emoluments

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

	Salary <i>HK\$'000</i>	Retirement benefit costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors:</i>			
Ng Kok Hong	1,020	14	1,034
Ng Kok Tai	51	6	57
Ng Kok Yang	—	—	—
	<u>1,071</u>	<u>20</u>	<u>1,091</u>

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

	Salary <i>HK\$'000</i>	Retirement benefit costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors:</i>			
Ng Kok Hong	236	7	243
Ng Kok Tai	987	119	1,106
Ng Kok Yang	—	3	3
	<u>1,223</u>	<u>129</u>	<u>1,352</u>

During the year ended 31 December 2012, Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang, being executive Directors of the Company, have agreed to waive their emoluments of approximately HK\$3,010,000 (2011: HK\$3,593,000), HK\$1,899,000 (2011: HK\$963,000) and HK\$2,470,000 (HK\$2,470,000). Save as disclosed above, there was no other arrangement under which a Director waived or agreed to waive any emoluments during the year.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

(B) Five Highest Paid Individuals

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Directors	1,034	1,106
Employees	<u>2,146</u>	<u>2,743</u>
	<u><u>3,180</u></u>	<u><u>3,849</u></u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Salaries, allowances and benefit-in-kind	2,104	2,616
Retirement benefit costs	<u>42</u>	<u>127</u>
	<u><u>2,146</u></u>	<u><u>2,743</u></u>

Save as disclosed above, for the two years ended 31 December 2012 and 2011, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: nil).

17. LOSS PER SHARE

(A) Basic Loss per Share

The calculation of basic loss per share attributable to owners of the Company was based on the loss for the year attributable to owners of the Company of approximately HK\$203,228,000 (2011: HK\$171,719,000) and the weighted average number of 1,945,996,565 (2011: 1,945,996,565) ordinary shares in issue during the year.

(B) Diluted Loss per Share

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

18. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements	Motor vehicles	Furniture, fixtures and equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 January 2011	1,651	5,412	24,290	31,353
Additions	243	—	437	680
Disposals	—	(2,348)	(11)	(2,359)
Written off during the year	(1,226)	(1,873)	(10,700)	(13,799)
Exchange differences	(10)	7	63	60
	<u>658</u>	<u>1,198</u>	<u>14,079</u>	<u>15,935</u>
At 31 December 2011 and 1 January 2012	658	1,198	14,079	15,935
Additions	26	—	404	430
Disposals	—	(205)	(18)	(223)
Written off during the year	(151)	—	—	(151)
Exchange differences	(32)	(16)	(68)	(116)
	<u>501</u>	<u>977</u>	<u>14,397</u>	<u>15,875</u>
At 31 December 2012	501	977	14,397	15,875
Accumulated depreciation:				
At 1 January 2011	1,584	3,194	23,125	27,903
Charge for the year	147	460	509	1,116
Disposals	—	(1,206)	(6)	(1,212)
Eliminated on written off	(1,231)	(1,662)	(10,181)	(13,074)
Exchange differences	3	7	60	70
	<u>503</u>	<u>793</u>	<u>13,507</u>	<u>14,803</u>
At 31 December 2011 and 1 January 2012	503	793	13,507	14,803
Charge for the year	132	181	346	659
Disposals	—	(122)	(4)	(126)
Eliminated on written off	(151)	—	—	(151)
Exchange differences	(28)	(11)	(48)	(87)
	<u>456</u>	<u>841</u>	<u>13,801</u>	<u>15,098</u>
At 31 December 2012	456	841	13,801	15,098
Carrying amount:				
At 31 December 2012	<u>45</u>	<u>136</u>	<u>596</u>	<u>777</u>
At 31 December 2011	<u>155</u>	<u>405</u>	<u>572</u>	<u>1,132</u>

The net carry amounts of the Group's assets under finance leases included in the total amounts of motor vehicles at the end of the reporting period amounted to approximately HK\$136,000 (2011: HK\$405,000).

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

19. INVESTMENTS IN SUBSIDIARIES

	<i>Notes</i>	Company	
		2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<i>(a)</i>	233,433	233,433
Less: Impairments	<i>(c)</i>	<u>(233,433)</u>	<u>(233,433)</u>
		<u>—</u>	<u>—</u>
Amount due from a subsidiary	<i>(b)</i>	339,266	339,266
Less: Impairments	<i>(c)</i>	<u>(339,266)</u>	<u>(339,266)</u>
		<u>—</u>	<u>—</u>
Amount due to a subsidiary	<i>(b)</i>	<u>3,362</u>	<u>1,586</u>

Notes:

- (a) Particulars of principal subsidiaries are set out in note 35 to the consolidated financial statements.
- (b) The balances with subsidiaries were unsecured, interest free and had no fixed terms of repayment.
- (c) At 31 December 2012 and 2011, the Directors performed an impairment assessment on the Group's investments in subsidiaries and the amount due from a subsidiary, and they considered that their carrying amounts are in excess of the recoverable amounts as a result of the persistent operating losses of its subsidiaries. Accordingly, the provisions for impairment of approximately HK\$233,433,000 (2011: HK\$233,433,000) against the investments in subsidiaries and approximately HK\$339,266,000 (2011: HK\$339,266,000) were made against the amount due from a subsidiary at the end of the reporting period.

20. INVENTORIES

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Merchandises	3,675	12,767
Less: Impairments	<u>(3,601)</u>	<u>(10,924)</u>
	<u>74</u>	<u>1,843</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

21. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 30 days (2011: 30 days), except for the sales made to certain creditworthy customers to which a longer credit period may be granted on a case by case basis. At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days	173	2,444
31–60 days	21	371
61–90 days	—	275
91–120 days	21	70
Over 120 days	1,239,000	1,238,645
Less: Impairments	<u>(1,238,347)</u>	<u>(1,238,654)</u>
	<u>868</u>	<u>3,151</u>

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
31–60 days	—	371
61–90 days	—	275
91–120 days	—	61
Over 120 days	<u>847</u>	<u>—</u>
	<u>847</u>	<u>707</u>

The creation or release of provision for impaired trade receivable have been included in “General and administrative expenses” of the consolidated income statement. Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering additional cash.

At the end of the reporting period, trade receivables of the Group amounting to approximately HK\$1,238,347,000 (2011: HK\$1,238,654,000) were impaired. The individually impaired trade receivables mainly related to customers that had prolonged their repayment due to unexpected financial difficulties.

Movements on the impairment of trade receivables are as follows:

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Group	
	2012	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>
HK\$	1,223,143	1,223,528
RM	2,755	2,788
USD	2,646	573
IDR	1,439	5,504
Singapore Dollar	2,714	1,357
New Taiwan Dollar	573	2,601
Vietnam Dong (“VND”)	2,901	2,978
Philippine Peso (“P\$”)	3,044	2,476
	<u>1,239,215</u>	<u>1,241,805</u>

22. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2012	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>
Prepayments	258	1,436
Deposits and other receivables	<u>24,571</u>	<u>20,018</u>
	24,829	21,454
Less: Impairments	<u>(20,966)</u>	<u>(11,772)</u>
	<u>3,863</u>	<u>9,682</u>

Included in the impairments recognised in respect of prepayments, deposits and other receivables were individually impaired deposits and other receivables with the aggregate amounts of approximately HK\$20,966,000 (2011: HK\$11,772,000) with the equivalent gross amounts at the end of reporting period. The individually impaired amounts relate to counterparties that were in default of repayment. The Group did not hold any collateral or other credit enhancements over these balances.

Save as disclosed, none of the above assets was either past due or impaired, and the financial assets included in the above balances related to receivables for which there was no recent history of default.

23. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	Group	
	2012	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>
Pledged bank deposits	—	213
Cash and bank balances	<u>678</u>	<u>903</u>
	<u>678</u>	<u>1,116</u>

At 31 December 2011, the pledged bank deposits were secured as collateral for the Group’s banking facilities.

Cash at banks earned interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits were deposited with creditworthy banks with no recent history of default.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
RM	357	583
HK\$	192	344
IDR	124	184
Others	5	5
	<u>678</u>	<u>1,116</u>

24. TRADE AND BILLS PAYABLES

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	435,603	434,302
Bills payables	<u>110,643</u>	<u>109,288</u>
	<u>546,246</u>	<u>543,590</u>

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
1–30 days	9	252
31–60 days	16	—
61–90 days	178	—
91–120 days	—	—
Over 120 days	<u>435,400</u>	<u>434,050</u>
	<u>435,603</u>	<u>434,302</u>

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

At the end of the reporting period, the Group's bills payables were secured by certain corporate guarantees granted by the Company. The bills payables of the Group were interest-bearing at approximately 8.29% (2011: 8.28%) per annum.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

25. ACCRUALS AND OTHER PAYABLES

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

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

26. BANK BORROWINGS

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured	417,178	434,343
Bank overdrafts, secured	51,567	45,697
	<u>468,745</u>	<u>480,040</u>

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Bank loans		Bank overdrafts	
	2012	2011	2012	2011
USD	5.7%	5.7%	—	6.0%
HK\$	4.3%	4.3%	5.9%	5.9%
RM	7.6%	8.2%	9.1%	9.1%
EUR	<u>4.4%</u>	<u>4.4%</u>	<u>—</u>	<u>—</u>

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

27. FINANCE LEASE PAYABLES

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Group			
	Minimum	Minimum	Present	Present
	lease	lease	value of	value of
	payments	payments	minimum	minimum
	2012	2011	2012	2011
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Amounts payable:				
Within one year	130	232	106	231
In the second to fifth years, inclusive	<u>—</u>	<u>49</u>	<u>—</u>	<u>49</u>
Total minimum finance lease payments	130	281	<u>106</u>	<u>280</u>
Future finance charges	<u>(24)</u>	<u>(1)</u>		
Total net finance lease payables	106	280		
Portion classified as current liabilities	<u>(106)</u>	<u>(231)</u>		
Non-current portion	<u>—</u>	<u>49</u>		

It is the Group’s policy to lease certain of its motor vehicles under finance leases. The average remaining lease term is 1–2 years. At the end of the reporting period, the average effective borrowing rate was 3.9% (2011: 3.9%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group’s finance lease payables are secured by the lessor’s title to the leased assets.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

28. FINANCIAL GUARANTEE LIABILITIES

Group

The Company and its indirect wholly-owned subsidiary, First Mobile Group Sdn. Bhd. ("FMGSB"), have given corporate guarantees to certain banks to secure for the general banking facilities of EM and MDM totaling approximately HK\$58,936,000. In view that EM and MDM are currently in liquidation, and on ground that the potential claims of these corporate guarantees granted by the Company and FMGSB may be exercised by the relevant banks, a provision for financial guarantee liabilities of approximately HK\$58,936,000 have been made against the potential uncovered exposures to be borne by the Company and FMGSB under such guarantees.

Company

At 31 December 2012, the Company has given corporate guarantees to certain banks, trade credit insurance companies and the former largest supplier of the Group to secure for the general banking facilities and trade credits granted to certain of its subsidiaries, and approximately HK\$1,110,158,000 (2011: HK\$1,054,022,000) of which were utilised by the subsidiaries as at that date. The Group has breached certain bank covenant requirements and defaulted in repayment of certain trade payables and bank borrowings. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK\$1,110,158,000 (2011: HK\$1,054,022,000) for the Company has been made against the probable uncovered exposures to be borne by the Company under those guarantees at the end of the reporting period.

29. CONVERTIBLE LOANS

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

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

The interest charged for the year is calculated by applying an effective interest rate of 12.01% per annum to the liability component.

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

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

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

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

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

30. SHARE CAPITAL

	Company	
	Number of ordinary shares	
	HK\$0.10 each	HK\$'000
Authorised:		
At 31 December 2011 and 2012	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31 December 2011 and 2012	<u>1,945,996,565</u>	<u>194,600</u>

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No major changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2012 and 2011.

The capital structure of the Group consists of debt, which includes bank borrowings, finance lease payables, financial guarantee liabilities and convertible loans as disclosed in notes 26, 27, 28 and 29 to the consolidated financial statements, and equity attributable to owners of the Company, comprising share capital and reserves.

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

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total borrowings	560,655	520,678
Total assets	<u>6,260</u>	<u>16,924</u>
Gearing ratio	<u>8,956%</u>	<u>3,077%</u>

The gearing ratios above indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors have given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Directors believe that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the revised Proposed Restructuring as further explained in note 2 to the consolidated financial statements.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

31. RESERVES

(A) Group

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

(B) Company

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	287,281	7,597	(1,455,761)	(1,160,883)
Loss for the year	—	—	(95,351)	(95,351)
Transfer upon lapse of share options	—	(7,597)	7,597	—
At 31 December 2011 and 1 January 2012	287,281	—	(1,543,515)	(1,256,234)
Loss for the year	—	—	(59,668)	(59,668)
At 31 December 2012	<u>287,281</u>	<u>—</u>	<u>(1,603,183)</u>	<u>(1,315,902)</u>

(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.

(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.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

32. MAJOR NON-CASH TRANSACTION

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

33. OPERATING LEASE COMMITMENTS

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

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

34. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, there are certain updates on the Group's Proposed Restructuring in progress, and further details of which are stated in note 2 to the consolidated financial statements.
- (b) A writ of summons dated 13 February 2013 was served on FMGSB on 15 February 2013. The plaintiff, Raja, Darryl & Loh claimed against FMGSB for outstanding bills with interests thereon in aggregate of approximately Malaysian Ringgit 88,000 (equivalent to approximately HK\$224,000). In the opinion of the Directors, adequate provision has been made against the aforesaid claim at the end of the reporting period.

35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

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

Name of the subsidiary	Place of incorporation/ registration/ operation	Issued and paid-up share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			2012	2011	
Direct subsidiary:					
E-Tech Resources Limited	British Virgin Islands	10,000 shares of US\$1 each	100%	100%	Investment holding

APPENDIX II

FINANCIAL INFORMATION 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
			2012	2011	
Indirect subsidiaries:					
é-Touch Mobile Private Limited	India	10,000 shares of Indian Rupees 10 each	95%	95%	Inactive
First Asia Mobile, Inc.	Republic of the Philippines	12,500,000 shares of P\$1 each	100%	100%	Inactive
First Mobile Group Sdn. Bhd.	Malaysia	500,000 ordinary shares of RM1 each	100%	100%	Inactive
First Telecom International Limited	Hong Kong	50,000,000 ordinary shares of HK\$1 each 3,019,944 non-voting deferred shares of HK\$1 each	100%	100%	Inactive
Lets Do Mobile Philippines Inc.	Republic of the Philippines	85,000,000 shares of P\$1 each	100%	100%	Inactive
Matrix Star Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Trading of mobile phones
Mobile Distribution Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Trading of mobile phones
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%	Trading and distribution of mobile phones and related accessories

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2015

	<i>Notes</i>	For the six months ended 30 June	
		2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Revenue	4/5	—	—
Cost of sales		<u>—</u>	<u>—</u>
Gross loss		—	—
Other income		9,639	1,661
Selling and distribution expenses		—	—
General and administrative expenses		(6,669)	(2,726)
Other operating expenses		(5)	(16)
Provision for financial guarantee liabilities		(2,791)	(180,145)
Gain on deconsolidation of a liquidated subsidiary		<u>—</u>	<u>227,198</u>
Profit from operations		174	45,972
Finance costs	6	<u>(79,405)</u>	<u>(76,303)</u>
Loss before tax	7	(79,231)	(30,331)
Income tax	8	<u>—</u>	<u>—</u>
Loss for the period		<u>(79,231)</u>	<u>(30,331)</u>
Attributable to:			
Owners of the Company		(79,231)	(30,331)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(79,231)</u>	<u>(30,331)</u>
Loss per share	9		
Basic and diluted (<i>HK cents per share</i>)		<u>(4.07)</u>	<u>(1.56)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended	
	30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(79,231)	(30,331)
Other comprehensive income after tax:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences reclassified to profit or loss upon deconsolidation of a liquidated subsidiary	—	4,855
Exchange differences on translation of foreign operations	<u>11,700</u>	<u>(2,017)</u>
	<u>11,700</u>	<u>2,838</u>
Total comprehensive loss for the period	<u><u>(67,531)</u></u>	<u><u>(27,493)</u></u>
Attributable to:		
Owners of the Company	(67,531)	(27,493)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>(67,531)</u></u>	<u><u>(27,493)</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	<i>Notes</i>	30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (unaudited)
Non-current asset			
Property, plant and equipment	<i>11</i>	<u>43</u>	<u>101</u>
Current assets			
Prepayments, deposits and other receivables		344	285
Bank and cash balances		<u>79</u>	<u>82</u>
		<u>423</u>	<u>367</u>
Current liabilities			
Trade and bills payables	<i>12</i>	419,765	426,163
Accruals and other payables		1,024,388	944,767
Bank borrowings		408,622	407,392
Current tax liabilities		1,377	1,455
Financial guarantee liabilities	<i>13</i>	178,540	185,386
Convertible loans	<i>14</i>	<u>33,000</u>	<u>33,000</u>
		<u>2,065,692</u>	<u>1,998,163</u>
Net current liabilities		<u>(2,065,269)</u>	<u>(1,997,796)</u>
Total assets less current liabilities		<u>(2,065,226)</u>	<u>(1,997,695)</u>
NET LIABILITIES		<u>(2,065,226)</u>	<u>(1,997,695)</u>
Capital and reserves			
Share capital		194,600	194,600
Reserves		<u>(2,258,294)</u>	<u>(2,190,763)</u>
Equity attributable to owners of the Company		(2,063,694)	(1,996,163)
Non-controlling interests		<u>(1,532)</u>	<u>(1,532)</u>
TOTAL EQUITY		<u>(2,065,226)</u>	<u>(1,997,695)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-Controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2015 (audited)	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 period	—	—	—	11,700	—	(79,231)	(67,531)	—	(67,531)
At 30 June 2015 (unaudited)	<u>194,600</u>	<u>127,539</u>	<u>3,982</u>	<u>69,313</u>	<u>2,609</u>	<u>(2,461,737)</u>	<u>(2,063,694)</u>	<u>(1,532)</u>	<u>(2,065,226)</u>
At 1 January 2014 (audited)	194,600	127,539	3,982	33,904	2,609	(2,265,029)	(1,902,395)	(1,532)	(1,903,927)
Total comprehensive loss for the period	—	—	—	2,838	—	(30,331)	(27,493)	—	(27,493)
At 30 June 2014 (unaudited)	<u>194,600</u>	<u>127,539</u>	<u>3,982</u>	<u>36,742</u>	<u>2,609</u>	<u>(2,295,360)</u>	<u>(1,929,888)</u>	<u>(1,532)</u>	<u>(1,931,420)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the six months ended	
	30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(2,812)	58,859
Net cash used in investing activities	—	(24)
Net cash used in financing activities	—	—
Net (decrease)/increase in cash and cash equivalents	(2,812)	58,835
Effect of foreign exchange rate changes	1,986	(6,024)
Cash and cash equivalents at beginning of period	(8,366)	(60,494)
Cash and cash equivalents at end of period	(9,192)	(7,683)
Analysis of cash and cash equivalents		
Bank and cash balances	79	100
Bank overdrafts	<u>(9,271)</u>	<u>(7,783)</u>
	<u>(9,192)</u>	<u>(7,683)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

First Mobile Group Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, KY1-1106, Grand Cayman, Cayman. The address of its principal place of business is Workshop 6, Level 1, Wah Yiu Industrial Centre, 30–32 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and its shares have been suspended from trading since 27 November 2009.

The Company is an investment holding company. The Group is principally engaged in trading and distribution of mobile phones and related accessories and these activities have been gradually scaled down to inactive.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group incurred a loss attributable to owners of the Company of approximately HK\$79,231,000 for the six months ended 30 June 2015 (2014: HK\$30,331,000) and as at 30 June 2015 the Group had net current liabilities of approximately HK\$2,065,269 (31 December 2014: HK\$1,997,796,000) and net liabilities of approximately HK\$2,065,226 (31 December 2014: HK\$1,997,695,000) respectively.

The conditions above indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. To address the issues above, the Company had explored and negotiated with its creditors and potential investor for a proposed restructuring of the Group (the “Proposed Restructuring”) which is included in the resumption proposal of the Company being submitted to the Stock Exchange on 4 December 2012 (the “Resumption Proposal”). As set out in the Company’s announcements dated 2 December 2013, 9 January and 26 February 2014, respectively, in the course of preparing for the [REDACTED] for the Julong Group, certain regulatory issues were identified and given the substantial effort already spent in seeking to resolve those regulatory issues regarding the proposed acquisition of Julong and the lack of progress as at the final deadline for submission of a [REDACTED] for the Resumption Proposal to the Listing Committee, the Directors consider that it is not in the interests of the Company and the Shareholders as a whole to continue with the acquisition of Julong, for the purpose of seeking the resumption of trading in Shares.

To continue with the Resumption Proposal, the Company has identified a new target company (the “Target Company”) and entered into the acquisition agreement on 31 March 2014 with the Vendors (the “Acquisition Agreement”), pursuant to which the Company will acquire the Sale Equity Interest. Upon completion of the reorganisation of the Target Company and its subsidiaries (collectively 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.

Pursuant to the Acquisition Agreement, the Company will carry out the amended proposed restructuring (the “Amended Proposed Restructuring”), details of which were announced in the Company’s announcement dated 22 August 2014 (the “Announcement”) and are summarised below (capitalised terms used in this note have the same meaning as in their respective announcements):

- Pursuant to the supplemental agreement in relation to the subscription agreement dated 27 August 2010 (as supplemented by 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 respectively and supplemented by a supplemental agreement dated 28 September 2010), the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for 954,694,713 Subscription Shares, at a Subscription Price of approximately HK\$0.155 per Subscription Share, for a total cash consideration, before expenses, of approximately HK\$148 million.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

- At the Scheme Meeting held on 21 December 2010, the Creditor Schemes proposed to be entered into between the Company and the Creditors were unanimously approved by the Creditors attending and voting at the meeting in person or by proxy.
- On 8 February 2011, the Hong Kong Scheme was sanctioned by the High Court and on 28 April 2011, the Cayman Scheme was sanctioned by the Grand Court. The Hong Kong Scheme and the Cayman Scheme will become effective and legally binding on the Company and the Creditors upon fulfillment of the specified conditions precedent to the Subscription Agreements.
- The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire equity interest in China General (HK) Company Limited ("China General"). As at the date of the Announcement, the entire issued share capital of China General is owned as to 45.0% by Mr. Shie and 55.0% by Mr. Tsoi respectively. Upon the completion of Acquisition, the Target Group will become wholly-owned subsidiaries of the Company.
- The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules and is therefore subject to the approval of the Stock Exchange and Independent Shareholders of the Company. Pursuant to Rule 14.54 of the Listing Rules, the Stock Exchange will treat a [REDACTED] issuer proposing a reverse takeover as if it were a [REDACTED]. Accordingly, the Company will be treated as if it were a [REDACTED].

As disclosed in the Company's announcement dated on 12 September 2014, the Company received a letter dated 11 September 2014 from the Listing (Review) Committee (the "LRC Letter"), which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a [REDACTED] 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. On 30 October 2014, the Company submitted the said Proposal to the Stock Exchange.

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared on a going concern basis, as the Company has submitted the Revised Resumption Proposal, the successful implementation of which will affect the principal elements of the Amended Proposed Restructuring and allow the trading in the shares of the Company being resumed. The Directors are of the view that the major procedures of the 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.

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

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and mandatorily effective for its accounting periods beginning on or after 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

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

4. REVENUE

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

5. SEGMENT INFORMATION

As the Group's operation in trading and distribution of mobile phones and related accessories had been scaled down to inactive, the Directors considered that there were no reportable segment for the six months ended 30 June 2015 and 2014.

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest expenses on:		
— bank borrowings	22,247	23,483
— finance lease	—	—
— convertible loans	4,970	516
— trade payables	<u>52,188</u>	<u>52,304</u>
	<u>79,405</u>	<u>76,303</u>

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Impairment recognised in respect of inventories	—	25
Staff costs (including Directors' remuneration):		
— salaries, bonuses and allowances	909	1,421
— retirement benefits scheme contributions	<u>24</u>	<u>38</u>
	933	1,459
Depreciation	<u>57</u>	<u>92</u>
Net exchange gains	<u>(9,639)</u>	<u>(1,661)</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

8. INCOME TAX

No provision for profits tax has been made as the Group did not generate any assessable profit for each of the six months ended 30 June 2015 and 2014.

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$79,231,000 (2014: HK\$30,331,000) and the weighted average number of 1,945,996,565 (2013: 1,945,996,565) ordinary shares in issue during the period.

Diluted loss per share

No adjustment has been made to the basic loss per share in respect of a dilution as the exercise of the Group's outstanding convertible loans would be anti-dilutive for both periods.

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: None).

11. PROPERTY, PLANT AND EQUIPMENT

	2015 Property, plant and equipment <i>HK\$'000</i>	2014 Property, plant and equipment <i>HK\$'000</i>
Carrying amounts at 1 January (audited)	101	278
Exchange differences	(1)	3
Additions	—	—
Depreciation	(57)	(92)
Disposals	—	—
	<u>—</u>	<u>—</u>
Carrying amounts at 30 June (unaudited)	<u>43</u>	<u>189</u>

12. TRADE AND BILLS PAYABLES

	30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (audited)
Trade payables	419,765	426,163
Bills payables	—	—
	<u>419,765</u>	<u>426,163</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	30 June 2015	31 December 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
1–30 days	—	—
31–60 days	—	—
61–90 days	—	—
91–120 days	—	—
Over 120 days	<u>419,765</u>	<u>426,163</u>
	<u><u>419,765</u></u>	<u><u>426,163</u></u>

13. FINANCIAL GUARANTEE LIABILITIES

Group

The Company has given corporate guarantees to certain banks to secure for the general banking facilities of First Mobile Group Sdn. Bhd. (“FMGSB”), Exquisite Model Sdn. Bhd. (“EM”) and Mobile Distribution (M) Sdn. Bhd. (“MDM”) totaling approximately HK\$178,540,000. 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, a provision for financial guarantee liabilities of approximately HK\$2,791,000 have been made against the potential uncovered exposures to be borne by the Company under such guarantees.

14. 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 Adjusted Shares at a total exercise price of HK\$13 million, or HK\$0.155 per Adjusted Share, upon fulfillment of certain conditions precedent as described in the Announcement.

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

The interest charged for the year is calculated by applying an effective interest rate of 8.3% (2014: 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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

option to subscribe for 129,032,258 Adjusted Shares at a total exercise price of HK\$20 million or approximately HK\$0.155 per Adjusted Share, upon fulfillment of certain conditions precedent as described in the Announcement.

The FA Loan does not bear any interest.

The interest charged for the year is calculated by applying an effective interest rate of nil% (2014: nil %) per annum to the liability component.

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

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

	Convertible Loans — Group		
	Time Boomer <i>HK\$'000</i>	First Apex <i>HK\$'000</i>	Total <i>HK\$'000</i>
Liability component at 1 January 2015	13,000	20,000	33,000
Interest charged	4,970	—	4,970
Interest paid	—	—	—
Interest included in accruals and other payables	<u>(4,970)</u>	<u>—</u>	<u>(4,970)</u>
Liability component at 30 June 2015	<u>13,000</u>	<u>20,000</u>	<u>33,000</u>

15. EVENTS AFTER THE END OF 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 these financial statements.

16. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the board of Directors on [●] September 2015.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF THE GROUP

Set out below are a discussion and analysis of the Group's results of operations for the three years ended 2012, 2013 and 2014. The information set out below is principally extracted from the annual audited reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

FOR THE YEAR ENDED 31 DECEMBER 2014

Financial Review

The Group recorded an other income of approximately HK\$24,000 for FY2014, representing a decrease of approximately HK\$4.2 million compared to FY2013 mainly due to the reversal of impairment on other receivables in FY2013.

The Group's general and administrative expenses increased by approximately HK\$1.4 million compared to FY2013 mainly due to the increase in professional fees for restructuring exercise during the year.

The Group's other operating expenses for FY2013 was mainly due to the provisions made in respect of two legal proceedings against a wholly-owned subsidiary of the Company in Malaysia and the impairment on other receivables.

Finance cost decreased by approximately HK\$14.9 million compared to FY2013 mainly due to the decrease in finance cost of bank borrowings arising from the deconsolidation of a wholly-owned subsidiary with effect from 5 February 2014.

The Group's provision for financial guarantee liabilities for FY2014 was mainly due to the provision for potential claims (comprising principal and interest) under the corporate guarantee granted to a wholly-owned subsidiary which was deconsolidated from the Group's consolidated financial statements with effect from 5 February 2014.

The loss attributable to owners of the Company was approximately HK\$117.5 million for FY2014, representing loss per share of HK6.04 cents as compared to a loss of approximately HK\$188.9 million for FY2013, representing loss per share of HK9.71 cents.

Segment Information

The Group has no revenue generated for FY2014.

Liquidity and Financial Resources

As at 31 December 2014, bank and cash balances of the Group were approximately HK\$82,000 (2013: HK\$0.45 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2014 was 133,713% (2013: 60,554%).

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

As at 31 December 2014, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2013: secured by the corporate guarantees granted by the Company).

Assets and Liabilities

As at 31 December 2014, the Group had total assets of approximately HK\$468,000 (2013: HK\$942,000), total liabilities of HK\$1,998 million (2013: HK\$1,905 million). The net liabilities of the Group as at 31 December 2014 were HK\$1,998 million (2013: HK\$1,904 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 2014.

Charges on Group Assets

The Group had no other charge as at 31 December 2014 and 2013 except for the charge by Time Boomer and First Apex. Details are set out in note 24 to the consolidated financial statement.

Reserves

As at 31 December 2014, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statement 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 2014 and 2013.

Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities as at 31 December 2014 and 2013.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Employees

As at 31 December 2014, the Group had 8 (2013: 9) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2014 amounted to approximately HK\$3.3 million (2013: HK\$3.2 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

FOR THE YEAR ENDED 31 DECEMBER 2013

Financial Review

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

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

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

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

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

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

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

Segment Information

The Group has no revenue generated for FY2013.

Liquidity and Financial Resources

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

Assets and Liabilities

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

Significant Investments and Acquisition

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

Charges on Group Assets

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

Reserves

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

Capital Structure

There was no change in the Company's share capital during the year.

Capital Commitments

The Group and the Company did not have any significant capital commitments at 31 December 2013 and 2012.

Contingent Liabilities

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Employees

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

FOR THE YEAR ENDED 31 DECEMBER 2012

Business Review

During the financial year under review, the Group continued to focus mainly on the trading and distribution of its house brand mobile phones.

The Group has been operating on a very tight working capital cycle following the withdrawal of credit facilities by the Group's banks and trade creditors since 2009. Accordingly, the management has taken appropriate measures to reduce overheads and financial commitments where possible to ensure that its limited working capital is deployed in the most effective manner to enhance the Group's financial position.

Financial Review

Overview

The Group recorded a turnover of approximately HK\$23 million for the financial year ended 31 December 2012 ("FY2012"), representing a decrease of 60.4% over the previous financial year ended 31 December 2011 ("FY2011")'s turnover of approximately HK\$59 million. The decrease in turnover is mainly attributable to the generally weak market conditions for house brand mobile phones in Indonesia. In relation to this, the Group recorded a gross profit margin of approximately 0.8% in FY2012 as compared to a gross profit margin of approximately 7.2% in FY2011. The Company recorded an other income of approximately HK\$0.1 million for FY2012, representing a decrease of 99.4% compared to FY2011. The decrease was mainly attributable to a gain of approximately HK\$10 million on disposal of non-current asset held for sale and the net exchange gain of approximately HK\$10 million in FY2011.

The Group's selling and distribution expenses decreased by 92.7% from HK\$10.1 million to HK\$0.7 million mainly due to the decrease in turnover, and the expenditures relating to the Group's brand building and marketing campaigns in Indonesia incurred in FY2011.

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

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

Liquidity and Financial Resources

As at 31 December 2012, bank and cash balances of the Group were approximately HK\$0.68 million (2011: HK\$1.12 million), of which nil (2011: HK\$0.21 million) were pledged for general banking facilities.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2012 was 8,956% (2011: 3,077%).

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

Capital Structure

There was no change in the Company's share capital during the year.

Capital Commitments

The Group and the Company did not have any significant capital commitments at 31 December 2012 and 2011.

Contingent Liabilities

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

Employees

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

Events after the Reporting Period

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

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Strategies for 2013

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

Additionally, the Group will continue to explore viable and profitable business opportunities to enhance shareholders’ value and strengthen its financial foundations.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2015

Financial Review

The Group recorded an other income of approximately HK\$9.6 million for the first half of financial year 2015 (“FY2015”), representing an increase of approximately HK\$8.0 million compared to the previous corresponding period mainly due to exchange gains on financial guarantee liabilities.

The Group’s general and administrative expenses increased by approximately HK\$4.0 million compared to the corresponding period in 2014 mainly due to the legal and professional fees incurred under the current restructuring/[REDACTED] exercise.

The Group’s provision for financial guarantee liabilities decreased by approximately 98.5% from approximately HK\$180.1 million for the first half of financial year 2014 (“FY2014”) to approximately HK\$2.8 million for the corresponding period in FY2015 mainly due to the provision for potential claims (comprising principal and interest) during the first half of FY2014 under the corporate guarantee granted to a wholly-owned subsidiary which was deconsolidated from the Group’s consolidated financial statements with effect from 5 February 2014.

Finance costs increased by approximately HK\$3.1 million compared to the previous corresponding period mainly due to default interest charged on convertible loan.

The loss attributable to owners of the Company was approximately HK\$79.2 million for the first half of FY2015, representing loss per share of HK4.07 cents as compared to a loss of approximately HK\$30.3 million for the corresponding period in 2014, representing loss per share of HK1.56 cents.

Segment Information

The Group has no revenue generated for the first half of FY2015.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Liquidity and Financial Resources

As at 30 June 2015, bank and cash balances of the Group were approximately HK\$79,000 (as at 31 December 2014: HK\$82,000).

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2015 was 133,082% (as at 31 December 2014: 133,713%).

As at 30 June 2015, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company (as at 31 December 2014: secured by the corporate guarantees granted by the Company).

Assets and Liabilities

As at 30 June 2015, the Group had total assets of approximately HK\$466,000 (as at 31 December 2014: HK\$468,000), total liabilities of approximately HK\$2,066 million (as at 31 December 2014: HK\$1,998 million). The net liabilities of the Group as at 30 June 2015 were approximately HK\$2,065 million (as at 31 December 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 during the first half of FY2015.

Charges on Group Assets

The Group had no other charge as at 30 June 2015 except for the charge by Time Boomer and First Apex. Details are set out in note 14 to the unaudited condensed consolidated interim financial statements.

Reserves

As at 30 June 2015, the Group did not have any reserves available for distribution. Details of movements in the reserves of the Group during the first half of FY2015 are set out in the unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2015.

Capital Structure

There was no change in the Company's share capital during the first half of FY2015.

Capital Commitments

The Group and the Company did not have any significant capital commitments as at 30 June 2015.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Employees

As at 30 June 2015, the Group had 7 (as at 31 December 2014: 8) employees. The total of employee remuneration, including that of the Directors, for the six months ended 30 June 2015 amounted to approximately HK\$0.9 million (six months ended 30 June 2014: HK\$1.5 million) of which approximately HK\$0.3 million represents the Director's remuneration. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

MATERIAL CHANGES

As at the Latest Practicable Date, the Directors confirm that there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest [audited] consolidated financial statement of the Group were made up.

WORKING CAPITAL STATEMENT

The Directors, after due and carefully enquiry, are of the opinion that following the completion of the Proposed Restructuring, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

INDEBTEDNESS

As at 31 August 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group is analysed as follows:

The Group

	<i>HK\$'000</i>
<i>Unsecured and unguaranteed:</i>	
Accruals and other payables	803,162
Trade and bills payables	23,636
Financial guarantee liabilities	<u>166,864</u>
	<u>993,662</u>
<i>Secured and guaranteed:</i>	
Interest payables included in accruals and other payables	246,529
Trade and bills payables	397,232
Bank borrowings	408,904
Convertible loans	<u>33,000</u>
	<u>1,085,665</u>
Total borrowings	<u><u>2,079,327</u></u>

As at the close of business on 31 August 2015, certain interest payables, trade and bills payables and bank borrowings of the Group were secured by certain corporate guarantees granted by the Company. The convertible loans were secured by (i) the share charges over a total of 68.5% of the entire issued shares of the Company held by major shareholders; (ii) the personal guarantees given by certain directors of the Group; (iii) the share charges over the entire issued share capital of a direct wholly-owned subsidiary of the Company; and (iv) the Fixed and Floating Charge over the assets of a direct wholly-owned subsidiary of the Company.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

The Target Group

	<i>HK\$'000</i>
Secured bank borrowings	
— current portion	12,130
— non-current portion	<u>200,141</u>
	212,271
Amounts due to related parties	<u>68,227</u>
	280,498
Total	<u><u>280,498</u></u>

As at the close of business on 31 August 2015, the Target Group had pledged certain inventories of the Target Group with the carrying amount of approximately RMB336.9 million to certain banks for the secured bank borrowings and other general banking facilities.

The Enlarged Group

	<i>HK\$'000</i>
<i>Unsecured and unguaranteed:</i>	
Current portion	
Accruals and other payables	803,162
Trade and bills payables	23,636
Financial guarantee liabilities	166,864
Amounts due to related parties	<u>68,227</u>
	<u>1,061,889</u>
<i>Secured and guaranteed:</i>	
Current portion	
Interest payables included in accruals and other payables	246,529
Trade and bills payables	397,232
Bank borrowings	421,034
Convertible loans	<u>33,000</u>
	<u>1,097,795</u>
Non-current portion	
Bank borrowings	<u>200,141</u>
Total balances	<u><u>2,359,825</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Contingent liabilities

As at the close of business on 31 August 2015, the Target Group and the Enlarged Group had the following contingent liabilities:

	<i>HK\$'000</i>
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	<u>428,511</u>

COMMITMENTS

As at the close of business on 31 August 2015, the Target Group and the Enlarged Group had the following construction commitments:

Construction commitments

	<i>HK\$'000</i>
Construction commitments in respect of properties under development for sale contracted for but not provided	<u>327,066</u>

As at the close of business on 31 August 2015, the Enlarged Group had the following operating lease commitments:

Operating lease commitments

As lessor

The Target Group and the Enlarged Group leased out some of its investment properties under operating lease arrangement with a rental term of 20 years. The following table sets forth future non-cancellable minimum lease payments expected to be received in respect of leases of which the Target Group and the Enlarged Group acts as lessor as at the close of business on 31 August 2015:

	<i>HK\$'000</i>
Within one year	298
In the second to fifth years, inclusive	1,325
After five years	<u>5,183</u>
	<u>6,806</u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

As lessee

As at the close of business on 31 August 2015, the Enlarged Group had significant commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<i>HK\$'000</i>
Within one year	162
In the second to fifth years, inclusive	<u>39</u>
	<u><u>201</u></u>

Disclaimer

Save as disclosed above, as at 31 August 2015, the Enlarged Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

To the best understanding and knowledge of the Directors, the Directors confirm that there had been no material changes to the indebtedness position since 31 August 2015 up to the Latest Practicable Date.

Amount referred to in this indebtedness statement denominated in currencies other than HK\$ have been translated into HK\$ at the relevant rates of exchange prevailing at the close of business on 31 August 2015.

FURTHER FINANCIAL INFORMATION OF THE GROUP

Assuming that completion of the Acquisition would take place in 2014, the Enlarged Group recorded a pro forma net loss for the year ended 31 December 2014, mainly attributable to the provision for financial guarantee liabilities, the expenses incurred in relation to the Resumption and finance cost incurred during the year and partially offset by the gain on deconsolidation of a liquidated subsidiary, all of which are not expected to recur.

Provision for financial guarantee liabilities is mainly due to the provision for potential claims (comprising principal and interest) under the corporate guarantee granted to a wholly-owned subsidiary which was deconsolidated from the Group's consolidated financial statements with effect from 5 February 2014. Expenses incurred in relation to the Resumption mainly attributable to the professional fees paid in respect of the Group Reorganisation and the [REDACTED]. Finance costs comprise mainly of the interest expenses in relation to the convertible loans and bank borrowings of the Group. The gain on deconsolidation of a liquidated subsidiary of the Group is mainly due to the deconsolidation of assets and liabilities

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

of the liquidated subsidiary as detailed in note 10 to the audited consolidated financial statements for the year ended 31 December 2014 under Appendix II (page II-23) of this circular.

TRANSACTION EXPENSES

The aggregate fees, together with the Stock Exchange [REDACTED] fee, legal and other professional fees, printing and other expenses relating to the Acquisition, the [REDACTED] and the Subscription, are estimated to be approximately HK\$40.2 million. Among the estimated total transaction expenses of approximately HK\$40.2 million, approximately HK\$0.6 million of which is directly attributable to the issue of [REDACTED] that will be accounted for as a deduction from equity upon issuance of the [REDACTED] as it incurred. Transaction expenses of approximately HK\$14.6 million and HK\$5.1 million had been charged to the profit or loss for the year ended 31 December 2014 and for the six months ended 30 June 2015, respectively, and it is expected that an additional amount of approximately HK\$19.9 million will be charged to the profit or loss for the six months ending 31 December 2015. The substantial portion of the estimated total transaction expenses is non-recurring in nature.