FIRST/MOBILE GROUP

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 865)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors of First Mobile Group Holdings Limited (the "Company") announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
CONTINUING OPERATION			
Revenue	5	**3,106,161**	7,115,314
Cost of sales		**(3,094,463)**	(6,796,584)
Gross profit		**11,698**	318,730
Other income and gains	6	**13,131**	13,338
Selling and distribution expenses		**(51,054)**	(42,520)
General and administrative expenses		**(1,959,543)**	(121,745)
Other operating expenses		**(40,573)**	(40,860)
(Loss)/profit from operations		**(2,026,341)**	126,943
Finance costs	7	**(97,839)**	(45,603)
Share of loss of an associate		**(1,642)**	(75)
(Loss)/profit before tax from continuing operation		**(2,125,822)**	81,265
Income tax	8	**(10,855)**	(29,260)
(Loss)/profit for the year from continuing operation		**(2,136,677)**	52,005
DISCONTINUED OPERATION	9		
Loss for the year from discontinued operation		**(27,927)**	(10,966)
(Loss)/profit for the year	10	**(2,164,604)**	41,039
Attributable to:			
Owners of the Company	11	**(2,164,419)**	40,953
Minority interests		**(185)**	86
		(2,164,604)	41,039

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2009

	Note	2009	2008
		HK$'000	*HK$'000*
(Loss)/earnings per share	*13*		
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)		**(111.23)**	2.11
From continuing operation			
– Basic and diluted (HK cents per share)		**(109.80)**	2.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(2,164,604)**	41,039
Other comprehensive income:		
Exchange differences on translation of foreign operations	**(4,145)**	(8,379)
Total comprehensive income for the year	**(2,168,749)**	32,660
Attributable to:		
Owners of the Company	**(2,168,561)**	32,581
Minority interests	**(188)**	79
	(2,168,749)	32,660

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**30,359**	47,702
Prepaid land lease payments		**20,644**	22,411
Investment property		**8,539**	8,650
Investment in an associate		**–**	2,331
Deferred tax assets		**–**	14,254
		59,542	95,348
Current assets			
Inventories		**14,258**	551,687
Trade receivables	*14*	**16,882**	1,637,999
Financial assets at fair value through profit or loss		**–**	614
Prepayments, deposits and other receivables		**24,138**	106,797
Prepaid land lease payments		**587**	598
Derivative financial instruments		**–**	1,425
Current tax assets		**16,116**	17,377
Pledged bank deposits		**42,926**	409,427
Bank and cash balances		**18,414**	97,983
		133,321	2,823,907
Current liabilities			
Trade and bills payables	*15*	**585,768**	1,114,530
Accruals and other payables		**147,445**	96,028
Current portion of long-term borrowings		**67,394**	4,157
Current tax liabilities		**864**	6,696
Short-term borrowings		**578,909**	713,327
		1,380,380	1,934,738
Net current (liabilities)/assets		**(1,247,059)**	889,169
Total assets less current liabilities		**(1,187,517)**	984,517
Non-current liabilities			
Long-term borrowings		**998**	7,365
Deferred tax liabilities		**5,976**	3,886
		6,974	11,251
NET (LIABILITIES)/ASSETS		**(1,194,491)**	973,266
Capital and reserves			
Share capital		**194,600**	194,570
Reserves		**(1,389,091)**	778,525
Equity attributable to owners of the Company		**(1,194,491)**	973,095
Minority interests		**–**	171
TOTAL EQUITY		**(1,194,491)**	973,266

NOTES:

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 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The address of its principal place of business is Suite 1915, 19th Floor, Grandtech Centre, 8 On Ping Street, 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").

The Company and its subsidiaries (collectively the "Group") is principally engaged in the trading, distribution and retailing of mobile phones and accessories. During the year ended 31 December 2009, the Group discontinued the operation of its retail sales of mobile phones and accessories.

2. BASIS OF PREPARATION

The Group incurred a loss attributable to owners of the Company of approximately HK$2,164,419,000 (2008: a profit of approximately HK$40,953,000) for the year ended 31 December 2009 and as at that date, the Group had net current liabilities of approximately HK$1,247,059,000 (2008: net current assets of approximately HK$889,169,000) and net liabilities of approximately HK$1,194,491,000 (2008: net assets of approximately HK$973,266,000) respectively.

As disclosed in the Company's announcement on 26 November 2009, the Group had received written demands from certain bank creditors requiring the immediate repayment of debts. The Group was unable to immediately satisfy the said demands and consequently, defaulted in the repayment of the bank borrowings, which in turn triggered cross-default provisions in other credit facilities and became repayable on demand. At 31 December 2009, non-current portion of bank borrowings of the Group amounted to approximately HK$20,726,000 were reclassified as current portion and became repayable on demand as a result of the default. Trading in the shares of the Company has been suspended since 27 November 2009 at the request of the Company. Pursuant to the letter from the Stock Exchange on 3 June 2010, among other things, the Company is required to submit a viable resumption proposal (the "Resumption Proposal") to the Stock Exchange, which should meet the following conditions:

(a) publish all outstanding financial results and address any audit qualifications;

(b) demonstrate sufficiency of working capital for at least twelve months from the resumption date;

(c) demonstrate adequate internal controls to meet obligations under the Hong Kong listing rules; and

(d) inform the market of all material information for it to appraise the Group's position.

The Company is currently reviewing the Group's existing operations. The Company, with the assistance of its financial advisor, Asian Capital (Corporate Finance) Limited, is in the course of preparing the Resumption Proposal which will be submitted to the Stock Exchange as soon as practicable.

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 Group has been in discussion and negotiation with the creditors to explore the possibility of seeking a forbearance of the Group's payables and with the potential investor to explore the possibility of injecting new funds into the Group through the proposed restructuring (the "Proposed Restructuring").

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

On 18 August 2010, the Company announced that, upon the expiry of the creditors' election period, it was determined on 12 August 2010 that the Proposed Restructuring will be carried out by way of the scheme of arrangement in accordance with the Exclusivity Agreement as determined by the indication of preference received from the relevant creditors during the creditors' election period. Furthermore, creditors whose indebtedness represents more than 75% in value of the total indebtedness had executed the standstill agreement with the Group during the creditors' election period.

The Proposed Restructuring involves the proposed capital reorganisation, proposed creditor schemes and group reorganisation, and proposed subscription for new shares and proposed application for the granting of the whitewash waiver. The completion of the Proposed Restructuring is conditional upon fulfilment of certain 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. Details of the conditions precedent are further described in the announcement of the Company on 16 September 2010 and hereinafter referred to as the "Announcement"). The Proposed Restructuring, if successfully implemented, consists of, among other things, the principal elements as summarised 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 50,000,000,000 Adjusted Shares of HK$0.01 each and the issued share capital of the Company will be reduced to HK$4,864,991.41 divided into 486,499,141 Adjusted Shares of HK$0.01 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 it becoming 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.

(c) Group Reorganisation

The proposed Creditor Schemes and Group Reorganisation will split the Group into a group comprising the Company and certain subsidiaries (the "Retained Subsidiaries") retained under the control of the Company through its newly-incorporated wholly-owned subsidiary (the "SPV") (altogether with the Company referred to as the "Retained Group") and a group comprising the other subsidiaries (the "Scheme Subsidiaries") to be held outside the Retained Group by a Newco which is wholly owned by the Administrators for the purpose of holding the Scheme Subsidiaries.

(d) Subscription for New Shares

Pursuant to the Subscription Agreement dated 27 August 2010 (as supplemented, amended or modified from time to time), the Company has conditionally agreed to allot and issue to the Investor, and the Investor has conditionally agreed to subscribe for 9,257,142,857 Subscription Shares of HK$0.01 each, representing approximately 95% of the Enlarged Capital of the Company, at a Subscription Price of approximately HK$0.0175 per Subscription Share, resulting in the cash consideration, before expenses, of HK$162 million.

The consolidated financial statements have been prepared on a going concern basis even though the Group is currently in the process of exploring the possibility of implementing a restructuring scheme as the Directors are of the view that it is more probable than not that the major procedures of the Proposed Restructuring will eventually be agreed upon by the Company's Creditors, the Investor, and the Company's shareholders, and 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 in 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 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below:

(a) Presentation of financial statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and the statement of comprehensive income, and the total carried to the statement of changes in equity. The owners' changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

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

4. SEGMENT INFORMATION

The Group has two reportable segments which is the trading and distribution of mobile phones and accessories, and retail sales of mobile phones and accessories. During the year, the Group discontinued the operation of its retail sales of mobile phones and 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 operations of the Group include the provision of repair services for mobile phones and 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 is included in the trading and distribution of mobile phones and accessories segment.

Segment profits or losses do not include dividend income, interest income, finance costs, share of results of an associate, income tax and unallocated corporate income and expenses. Segment assets and liabilities are those operating assets and liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. 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 corporate assets. Segment liabilities comprise operating liabilities and exclude items such as borrowings and tax payables. 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:

	Trading and distribution of mobile phones and accessories *HK$'000*	**Retail sales of mobile phones and accessories (Discontinued operation)** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2009:			
Revenue from external customers	**3,106,161**	**165,842**	**3,272,003**
Segment loss	**(2,030,066)**	**(25,955)**	**(2,056,021)**
Interest income	**3,725**	**730**	**4,455**
Interest expense	**97,839**	**791**	**98,630**
Depreciation and amortisation	**6,477**	**1,272**	**7,749**
Income tax	**10,855**	**1,911**	**12,766**
Other material non-cash items:			
Inventories written off	**15,411**	**1,670**	**17,081**
Reversal on impairment of inventories	**(22,472)**	**(3,254)**	**(25,726)**
Impairment of trade receivables	**1,837,004**	**13,084**	**1,850,088**
Bad debts written off	**20,471**	**4,002**	**24,473**
Impairment of property, plant and equipment	**2,289**	**402**	**2,691**
Impairment of prepaid land lease payments	**776**	**–**	**776**
Impairment of prepayments, deposits and other receivables	**19,634**	**259**	**19,893**
Loss on financial assets at fair value through profit or loss	**614**	**–**	**614**
(Gain)/loss on disposal of property, plant and equipment	**(5,398)**	**378**	**(5,020)**
Additions to segment non-current assets	**2,331**	**690**	**3,021**
At 31 December 2009:			
Segment assets	**159,851**	**16,896**	**176,747**
Segment liabilities	**731,063**	**2,150**	**733,213**

	Trading and distribution of mobile phones and accessories *HK$'000*	Retail sales of mobile phones and accessories (Discontinued operation) *HK$'000*	Total *HK$'000*
Year ended 31 December 2008:			
Revenue from external customers	7,115,314	279,825	7,395,139
Segment profit/(loss)	117,903	(13,737)	104,166
Interest income	9,040	2,533	11,573
Interest expense	45,603	402	46,005
Depreciation and amortisation	6,816	2,021	8,837
Income tax	29,260	(640)	28,620
Other material non-cash items:			
Inventories written off	3,329	13	3,342
Reversal on impairment of inventories	(9,191)	(2,965)	(12,156)
Impairment of trade receivables	8,527	1,427	9,954
Bad debts written off	438	16	454
Loss on financial assets at fair value through profit or loss	59	–	59
(Gain)/loss on disposal of property, plant and equipment	(898)	300	(598)
Additions to segment non-current assets	6,384	1,748	8,132
At 31 December 2008:			
Segment assets	2,738,007	147,286	2,885,293
Segment liabilities	1,168,628	41,930	1,210,558

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

	2009 ***HK$'000***	2008 *HK$'000*
Revenue:		
Total revenue of reportable segments	**3,272,003**	7,395,139
Elimination of discontinued operation	**(165,842)**	(279,825)
Consolidated revenue from continuing operation	**3,106,161**	7,115,314
Profit or loss:		
Total profit or loss of reportable segments	**(2,056,021)**	104,166
Corporate and unallocated profit or loss	**(108,583)**	(63,127)
Elimination of discontinued operation	**27,927**	10,966
Consolidated (loss)/profit from continuing operation	**(2,136,677)**	52,005
Assets:		
Total assets of reportable segments	**176,747**	2,885,293
Corporate and unallocated assets	**16,116**	33,962
Consolidated total assets	**192,863**	2,919,255
Liabilities:		
Total liabilities of reportable segments	**733,213**	1,210,558
Corporate and unallocated liabilities	**654,141**	735,431
Consolidated total liabilities	**1,387,354**	1,945,989

Geographical information:

	Revenue		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,372,945**	6,256,749	**34,699**	45,460
Malaysia	**305,818**	488,047	**22,764**	30,248
Singapore	**290,761**	268,500	**–**	112
Philippines	**23,827**	119,911	**420**	1,980
Other countries	**278,652**	261,932	**1,659**	3,294
Discontinued operation	**(165,842)**	(279,825)	**–**	(5,537)
Consolidated total for continuing operation	**3,106,161**	7,115,314	**59,542**	75,557

In presenting the geographical information, revenue is based on the location of the customers. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

5. REVENUE

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities, gross rental income received and receivable, and repair service income 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:

	2009	2008
	HK$'000	*HK$'000*
Turnover from sales of mobile phones and accessories, net	**3,263,274**	7,388,879
Other revenue:		
Rental income	**8,454**	4,242
Repair service income	**275**	2,018
Total revenue	**3,272,003**	7,395,139
Representing:		
Continuing operation	**3,106,161**	7,115,314
Discontinued operation *(note 9)*	**165,842**	279,825
	3,272,003	7,395,139

6. OTHER INCOME AND GAINS

	2009	2008
	HK$'000	*HK$'000*
Realised/unrealised gain on derivative financial instruments	**503**	1,330
Compensation from insurance claim	**827**	754
Interest income	**4,455**	11,573
Exchange gains, net	**2,303**	–
Gain on disposal of property, plant and equipment	**5,020**	598
Others	**4,694**	1,706
	17,802	15,961
Representing:		
Continuing operation	**13,131**	13,338
Discontinued operation *(note 9)*	**4,671**	2,623
	17,802	15,961

7. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank and other borrowings:		
Continuing operation	**97,839**	45,603
Discontinued operation *(note 9)*	**791**	402
	98,630	46,005

8. INCOME TAX

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong profits tax	**–**	15,907
– Overseas	**977**	2,631
(Over)/under provision in prior years	**(2,971)**	1,414
Deferred tax	**14,760**	8,668
	12,766	28,620
Representing:		
Continuing operation	**10,855**	29,260
Discontinued operation *(note 9)*	**1,911**	(640)
	12,766	28,620

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 December 2008 was calculated at 16.5% based on the assessable profit for that year. Tax on overseas profits has been calculated on the estimated assessable profits for the year at the rates of tax prevailing in the countries in which the Group operates.

The reconciliation between the income tax and (loss)/profit before tax multiplied by the Hong Kong profits tax rate is as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before tax:		
From continuing operation	**(2,125,822)**	81,265
From discontinued operation	**(26,016)**	(11,606)
	(2,151,838)	69,659
Calculated at a domestic tax rate of 16.5% (2008: 16.5%)	**(355,053)**	11,494
Effect of different tax rates in other countries	**(11,067)**	(1,141)
Income not subject to tax	**(15,010)**	(5,961)
Expenses not deductible for tax purpose	**34,886**	18,165
Utilisation of previously unrecognised tax losses	**(5,109)**	(1,101)
(Over)/under provision of tax in prior years	**(2,971)**	1,414
Effect on opening deferred tax assets due to change in tax rate	**138**	337
Tax losses not recognised	**366,952**	5,413
	12,766	28,620

9. DISCONTINUED OPERATION

During the year, the Group had ceased its operation in retail sales of mobile phones and accessories. The Group has decided to orderly discontinue the business in retail sales of mobile phones and accessories, because the Group plans to focus its resources on the business of trading and distribution of mobile phones and accessories.

The loss for the year from the discontinued operation is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss of discontinued operation	**(35,248)**	(10,966)
Gain on disposal of subsidiaries	**7,321**	–
	(27,927)	(10,966)

The results of the discontinued operation which have been included in consolidated income statement are as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**165,842**	279,825
Cost of sales	**(150,928)**	(244,158)
Gross profit	**14,914**	35,667
Other income and gains	**4,671**	2,623
Selling and distribution expenses	**(11,151)**	(17,832)
General and administrative expenses	**(36,730)**	(26,972)
Other operating expenses	**(4,250)**	(4,690)
Loss from operation	**(32,546)**	(11,204)
Finance costs	**(791)**	(402)
Loss before tax	**(33,337)**	(11,606)
Income tax	**(1,911)**	640
Loss for the year	**(35,248)**	(10,966)

The net cash (outflows)/inflows incurred by the operation in retail sales of mobile phones and accessories are as follows:

	2009	2008
	HK$'000	*HK$'000*
Operating activities	**(72,929)**	(6,297)
Investing activities	**51,782**	319
Financing activities	**(22,326)**	6,443
Net cash (outflows)/inflows	**(43,473)**	465

10. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year was arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note included those amounts charged/(credited) in respect of the discontinued operation.

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**3,245,391**	7,040,742
Amortisation of prepaid land lease payments	**595**	598
Auditors' remuneration:		
– provision for the year	**1,760**	3,195
– under provision in prior years	**755**	61
Depreciation:		
– property, plant and equipment	**6,975**	8,050
– investment property	**179**	189
Direct operating expenses arising from investment property that generate rental income	**220**	249
Exchange (gains)/losses, net*	**(2,303)**	9,845
Loss on financial assets at fair value through profit or loss*	**614**	59
(Gains)/losses on derivative financial instruments*:		
– unrealised	**1,425**	(1,330)
– realised	**(503)**	13,749
Operating leases:		
– land and buildings	**18,435**	20,857
– office equipment	**518**	453
Pre–operating costs	**333**	82
Impairment of investment in an associate*	**1,785**	–
Impairment of property, plant and equipment*	**2,691**	–
Impairment of prepaid land lease payments*	**776**	–
Inventories written off (included in cost of inventories sold)	**17,081**	3,342
Impairment of trade receivables**	**1,850,088**	9,954
Bad debts written off**	**24,473**	454
Impairment of prepayments, deposits and other receivables*	**19,893**	–
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**79,075**	93,393
– equity-settled share-based payments	**895**	2,893
– retirement benefits scheme contributions	**4,664**	5,971
	84,634	102,257
Gains on disposal of property, plant and equipment*	**(5,020)**	(598)
Gain on disposal of subsidiaries	**(7,321)**	–
Reversal of impairment of inventories[#] (included in cost of inventories sold)	**(25,726)**	(12,156)
Write back of accruals and other payables	**–**	(12,000)

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

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

[#] The impairments of inventories were reversed as their carrying amounts were subsequently recovered with the higher net realisable values.

11. (LOSS)/PROFIT 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 approximately HK$1,567,815,000 (2008: profit of approximately HK$9,795,000).

12. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2009 (2008: HK$nil).

13. (LOSS)/EARNINGS PER SHARE

(a) From continuing and discontinued operations

The calculation of basic (loss)/earnings 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$2,164,419,000 (2008: profit of approximately HK$40,953,000) and the weighted average number of 1,945,754,099 (2008: 1,945,696,565) ordinary shares in issue during the year.

(b) From continuing operation

The calculation of basic (loss)/earnings per share from continuing operation attributable to owners of the Company was based on the loss for the year from continuing operation attributable to owners of the Company of approximately HK$2,136,509,000 (2008: profit of approximately HK$51,919,000) and the denominators for number of shares in issue were the same as that detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

(c) From discontinued operation

Basic loss per share from the discontinued operation was HK1.43 cents per share (2008: HK0.56 cents per share) based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$27,910,000 (2008: HK$10,966,000) and the denominators for number of shares in issue were the same as that detailed above for basic (loss)/earnings per share from continuing and discontinued operations.

The Company's share options has not had a dilutive effect on (loss)/earnings per share for the two years ended 31 December 2009 and 2008.

14. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 90 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	
	2009	2008
	HK$'000	*HK$'000*
1-30 days	**12,405**	323,634
31-60 days	**18,492**	386,735
61-90 days	**34,871**	438,962
91-120 days	**36,594**	501,313
Over 120 days	**1,835,833**	58,372
Less: Impairments	**(1,921,313)**	(71,017)
	16,882	1,637,999

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
91-120 days	**–**	464,974
Over 120 days	**–**	23,694
	–	488,668

At the end of the reporting period, trade receivables of the Group amounting to HK$1,921,313,000 (2008: HK$71,017,000) 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	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**71,017**	64,643
Impairments for the year	**1,850,088**	9,954
Release on disposal of subsidiaries	**(795)**	–
Exchange differences	**1,003**	(3,580)
At 31 December	**1,921,313**	71,017

The creation or release of provision for impaired trade receivable have been included in "General and administrative expenses" of the consolidated income statement. Impaired amounts were directly written off against trade receivables when there was no expectation of recovering additional cash.

15. TRADE PAYABLES

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
1-30 days	**4,534**	293,367
31-60 days	**3,591**	380,834
61-90 days	**33,593**	126,579
91-120 days	**82,886**	1,285
Over 120 days	**318,010**	8,660
	442,614	810,725

Included in trade payables at the end of the reporting period, approximately HK$412,341,000 (2008: HK$458,516,000) of which were secured by certain corporate guarantees granted by the Company to the largest supplier of the Group and certain trade insurance companies. Included in the guaranteed trade payables, approximately HK$344,500,000 (2008: HK$nil) of which were interest-bearing at 2.5% per month.

16. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the end of the reporting period, on 19 January 2010, as a result of the default in repayment of certain bank borrowings, a leasehold land and building of the Group with the carrying amount of approximately HK$4,266,000 at 31 December 2009 was repossessed by Citic Ka Wah Bank (the "Bank") for subsequent sale of that property for partial settlement of the indebtedness of approximately HK$18,437,000 due to the Bank at the end of the reporting period.

(b) As further detailed in note 2 to this announcement, the Group has been unable to service certain repayments of their mortgage loans during the year ended 31 December 2009. On 6 January 2010, one of the bank creditors, Public Bank (Hong Kong) Limited (the "Plaintiff" and as the mortgagor), issued the originating summons with the High Court of Hong Kong against First Telecom International Limited (the "1st Defendant" and as the borrower), an indirect wholly-owned subsidiary of the Company, for vacant possession of five mortgaged properties with the carrying amounts of approximately HK$29,531,000 at 31 December 2009 and for repayment of all moneys due to the Plaintiff under the mortgages of approximately HK$72,544,000 at the end of the reporting period and against the Company (the "2nd Defendant") for two guarantees associated with mortgages with the equivalent amounts, together with the related interest and costs, on a full indemnity basis, and further and/or other relief.

Upon the joint application of the Plaintiff and the 1st and 2nd Defendants by way of the consent summons filed on 22 January 2010, it was agreed that the Plaintiff will gradually take possession of the mortgaged properties starting from 25 January 2010. Subsequently, from 24 May 2010 to 21 June 2010, the Plaintiff had exercised its power of sale as conferred upon it by virtue of the mortgages and sold three out of five mortgaged properties at the cash considerations of approximately HK$10,500,000 which were fully used to settle part of the outstanding mortgage loans due to the Plaintiff.

(c) First Mobile Group Sdn. Bhd., an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement on 25 March 2010 in relation to the disposal of certain freehold properties at a total consideration of approximately HK$15,720,000 which were fully used to settle part of the outstanding mortgage loans.

(d) As disclosed in the Company's announcement dated 5 July 2010, the Company, the Investor, the Major Shareholders and Deloitte entered into the Exclusivity Agreement on 25 June 2010 for the purpose of the Proposed Restructuring. In accordance with the indication of preference by the Creditors upon the expiry of the Creditors' Election Period, the Proposed Restructuring will be carried out by way of Scheme of Arrangement.

Subsequently, for the purpose of the Proposed Restructuring, the Company entered into a subscription agreement with the Investor on 27 August 2010 (the "Subscription Agreement"). Pursuant to the Subscription Agreement, and subject to the terms and conditions therein, the Company agreed to allot and issue to the Investor and the Investor agreed to subscribe for new shares in the Company for a total cash consideration of HK$162 million.

Further details of the Proposed Restructuring are explained in note 2 to this announcement and the Company's announcement on 16 September 2010.

17. COMPARATIVE FIGURES

As further explained in note 3 to this announcement, due to the adoption of certain revised HKFRSs during the current year, the presentation of certain items, balances and the related explanatory notes to the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative figures have been re-presented to conform with the current year's presentation. In addition, the comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 9).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

BASIS FOR DISCLAIMER OF OPINION

(1) Scope limitation – opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2008 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

(2) Scope limitation – inventories

We were initially appointed as auditors subsequent to the end of the reporting period of 31 December 2009. In consequence we were unable to attend the physical count of the Group's inventories as at 31 December 2009 and 2008. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the existence, quantities, conditions and carrying amounts of these inventories appearing in the consolidated statements of financial position of approximately HK$14,258,000 and HK$551,687,000 as at 31 December 2009 and 2008 respectively.

(3) Scope limitation – disposal of subsidiaries

As further explained in note 37(a) to the consolidated financial statements, the Group had disposed of its entire interests in certain subsidiaries to two independent third parties during the year. The Directors have represented to us that they were unable to obtain certain books and records of the disposed subsidiaries following the disposals. Due to lack of complete books and records of these disposed subsidiaries, we are unable to assess as to whether the value of the related balances were free from material misstatements, as particularly highlighted below:

(i) the net assets, in aggregate, of approximately HK$12,679,000 disposed of by the Group as at the disposal dates and hence the gain on disposal of approximately HK$7,321,000 arising thereon;

(ii) the net cash inflow of cash and cash equivalents of approximately HK$17,514,000 in respect of the disposal included in the consolidated statement of cash flows; and

(iii) turnover of approximately HK$104,150,000 and loss for the year of approximately HK$893,000 in relation to the disposed subsidiaries included in the consolidated income statement for the period up to the disposal dates.

(4) 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 the financial restructuring of the Group and resumption of trading in the Company's shares (the "Restructuring and Resumption Proposal") will be submitted to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as soon as practicable.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Restructuring and Resumption Proposal of the Group will be successfully completed, and 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 and Resumption Proposal. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Any adjustment that might have been found to be necessary in respect of the matters set out in point (1) to (3) above would have significant consequential effects on the financial positions of the Group as at 31 December 2009 and 2008, the Group's results and its cash flows for the two years then ended, and the related disclosures thereof in the consolidated financial statements.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the scope limitation and the material uncertainty relating to going concern basis as described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the financial year under review, the Group experienced a significant contraction of its working capital as a result of various external factors, including the withdrawal of credit facilities by the Group's banks. Consequently, the Group was unable to sustain its usual working capital cycle, and this led to a significant curtailment of its ability to purchase from its key suppliers, which in turn created a further downward spiralling of the situation.

To minimise the impact of the then financial uncertainties and to reduce its overheads and financial commitments, the Group ceased its retail business in Malaysia and disposed its Hong Kong retail business during the year.

Financial Review

Overview

The Group recorded a total revenue of HK$3,272 million in the financial year ended 31 December 2009 ("FY2009"), representing a decrease of 56% over the previous financial year. The decrease in turnover is mainly attributed to the generally weak market conditions in the region for the most part of the year and the Group's financial situation following the significant withdrawal of trade credit facilities.

The loss attributable to owners of the Company was HK$2,164 million for FY2009, primarily due to the impairment of trade receivables of HK$1,850 million for the year and included under general and administrative expenses.

Loss per share from continuing operations was HK109.80 cents for FY2009 as compared to an earnings per share of HK2.67 cents for the preceding year.

Liquidity and Financial Resources

As at 31 December 2009, bank and cash balances of the Group were approximately HK$61 million (2008: HK$507 million), of which approximately HK$43 million (2008: HK$409 million) were pledged for general banking facilities.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2009 was 336% (2008: 25%).

As at 31 December 2009, investment property, freehold properties and certain leasehold land and buildings of the Group with carrying values of approximately HK$54 million (2008: HK$56 million) were pledged as security for the Group's general banking facilities.

Capital Structure

On 23 October 2009, the subscription rights attaching to 300,000 share options were exercised at the subscription price of HK$0.265 per share, resulting in the issuance of 300,000 new shares in the Company of HK$0.10 each for a total cash consideration, before expenses, of HK$79,500.

There were no other changes 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 2009 and 2008.

Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2009 and 2008.

Employees

As at 31 December 2009, the Group had 498 (2008: 726) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2009 amounted to approximately HK$85 million (2008: HK$102 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition, the Group has share option schemes for Directors and employees.

STRATEGIES FOR 2010

The Group will remain focused on its core business of mobile phone trading and distribution, and in particular, will further develop and grow its house brand mobile phone distribution business. Since 2008, the Group has been marketing and distributing house brand mobile phones in key emerging markets and this focus is set to continue into the current financial year.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

SHARES IN THE COMPANY

Name of Director	Number of Shares of HK$0.10 each				Percentage of issued share capital
	Personal interests	Family interests *(note (i))*	Corporate interests *(note (ii))*	Total	
Mr. Ng Kok Hong	596,766,389	9,088,625	–	605,855,014	31.14%
Mr. Ng Kok Tai	–	–	596,766,389	596,766,389	30.67%
Mr. Ng Kok Yang	146,944,889	–	–	146,944,889	7.55%

Notes:

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

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

SHARES IN AN ASSOCIATED CORPORATION

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

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

Save as disclosed above, as at 31 December 2009, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares" above, as at 31 December 2009, there were no other persons who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTEREST

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Code of Conduct") governing securities transactions by its Directors modeled on terms not less exacting than the required standard as set out in Appendix 10 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), as amended from time to time.

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the year ended 31 December 2009.

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

AUDIT COMMITTEE

The Audit Committee was established on 15 December 2000 and during the year up to 2 December 2009, comprised the three independent non-executive Directors ("INEDs"):

Mr. See Tak Wah *(Committee Chairman)*
Mr. Wu Wai Chung Michael
Mr. Wong Tin Sang Patrick

All three INEDs resigned with effect from 2 December 2009.

The terms of reference of the Audit Committee was revised on 17 April 2009 in accordance with the requirements of the CG Code as set out by the Stock Exchange. The primary duties of the Audit Committee include the review of financial information, overseeing the financial reporting system and internal control procedures as well as maintaining a working relationship with the external auditors.

The audited financial results and statements of the Company for the year ended 31 December 2009 have not been reviewed by the Audit Committee as there were no INEDs to constitute the Audit Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has not complied with all the code provisions as set out in Appendix 14 of the Listing Rules – Code on Corporate Governance Practices (the "CG Code") throughout the financial year ended 31 December 2009 following the resignations of all three INEDs on 2 December 2009. Arrangements will be made to appoint the appropriate number of INEDs to reconstitute the Board of Directors and the Audit, Nomination and Remuneration Committees as soon as practicable to comply with the CG Code. A report on the corporate governance practices is embodied in the Company's 2009 annual report.

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

Hong Kong, 21 September 2010

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

SCOPE OF WORK OF ANDA CPA LIMITED

The figures above in respect of this annual results announcement for the year ended 31 December 2009 have been agreed by the Company's auditor, ANDA CPA Limited ("ANDA"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by ANDA in this respect did not constitute an assurance engagements in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ANDA on this announcement.