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 2010

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 2010 together with the comparative figures for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
CONTINUING OPERATION			
Revenue	*5*	**189,544**	3,106,161
Cost of sales		**(187,313)**	(3,094,463)
Gross profit		**2,231**	11,698
Other income	*6*	**57,708**	13,131
Selling and distribution expenses		**(10,090)**	(51,054)
General and administrative expenses		**(34,124)**	(1,959,543)
Other operating expenses		**(4,028)**	(40,573)
Profit/(loss) from operations		**11,697**	(2,026,341)
Finance costs	*7*	**(169,778)**	(97,839)
Share of loss of an associate		**–**	(1,642)
Loss before tax		**(158,081)**	(2,125,822)
Income tax	*8*	**(2,253)**	(10,855)
Loss for the year from continuing operation		**(160,334)**	(2,136,677)
DISCONTINUED OPERATION	*9*		
Loss for the year from discontinued operation		**–**	(27,927)
Loss for the year	*10*	**(160,334)**	(2,164,604)

* *For identification purpose only*

	Notes	**2010**	2009
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company:			
Loss from continuing operation		**(158,823)**	(2,136,509)
Loss from discontinued operation		**–**	(27,910)
Loss attributable to owners of the Company	*11*	**(158,823)**	(2,164,419)
Non-controlling interest:			
Loss from continuing operation		**(1,511)**	(168)
Loss from discontinued operation		**–**	(17)
Loss attributable to non-controlling interests		**(1,511)**	(185)
		(160,334)	(2,164,604)
Loss per share	*13*		
From continuing and discontinued operations			
– Basic and diluted (HK cents per share)		**(8.16)**	(111.23)
From continuing operation			
– Basic and diluted (HK cents per share)		**(8.16)**	(109.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
Loss for the year	**(160,334)**	(2,164,604)
Other comprehensive loss:		
Exchange differences on translation of foreign operations	**214**	(4,145)
Total comprehensive loss for the year	**(160,120)**	(2,168,749)
Attributable to:		
Owners of the Company	**(158,628)**	(2,168,561)
Non-controlling interests	**(1,492)**	(188)
	(160,120)	(2,168,749)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	**At 31 December 2010 *HK$'000***	At 31 December 2009 *HK$'000* (restated)	At 1 January 2009 *HK$'000* (restated)
Non-current assets				
Property, plant and equipment		**3,450**	51,590	70,711
Investment property	*16*	**–**	8,539	8,650
Investment in an associate		**–**	–	2,331
Deferred tax assets		**–**	–	14,254
		3,450	60,129	95,946
Current assets				
Inventories		**5,551**	14,258	551,687
Trade receivables	*14*	**12,089**	16,882	1,637,999
Financial assets at fair value through profit or loss		**–**	–	614
Prepayments, deposits and other receivables		**13,063**	24,138	106,797
Derivative financial instruments		**–**	–	1,425
Current tax assets		**3,448**	16,116	17,377
Pledged bank deposits		**240**	42,926	409,427
Bank and cash balances		**7,242**	18,414	97,983
		41,633	132,734	2,823,309
Non-current asset held for sale	*16*	**9,278**	–	–
		50,911	132,734	2,823,309

	Notes	At 31 December 2010 HK$'000	At 31 December 2009 HK$'000 (restated)	At 1 January 2009 HK$'000 (restated)
Current liabilities				
Trade and bills payables	*15*	**563,163**	585,768	1,114,530
Accruals and other payables		**328,862**	147,445	96,028
Bank borrowings		**507,665**	645,658	714,807
Finance lease payables		**396**	645	2,677
Current tax liabilities		**2,112**	864	6,696
		1,402,198	1,380,380	1,934,738
Net current (liabilities)/assets		**(1,351,287)**	(1,247,646)	888,571
Total assets less current liabilities		**(1,347,837)**	(1,187,517)	984,517
Non-current liabilities				
Finance lease payables		**334**	998	2,851
Bank borrowings		**–**	–	4,514
Deferred tax liabilities		**6,347**	5,976	3,886
		6,681	6,974	11,251
NET (LIABILITIES)/ASSETS		**(1,354,518)**	(1,194,491)	973,266
Capital and reserves				
Share capital		**194,600**	194,600	194,570
Reserves		**(1,547,626)**	(1,389,091)	778,525
Equity attributable to owners of the Company		**(1,353,026)**	(1,194,491)	973,095
Non-controlling interests		**(1,492)**	–	171
TOTAL EQUITY		**(1,354,518)**	(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") and its shares were suspended for 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, with the assistance of its financial advisor, Asian Capital (Corporate Finance) Limited, is finalising the Resumption Proposal which will be submitted to the Stock Exchange as soon as practicable.

Proposed restructuring of the Group (the "Proposed Restructuring")

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

On 18 August 2010, the Company announced that, upon the expiry date of the creditors' election period, it was determined on 12 August 2010 that the Proposed Restructuring will be carried out by way of the scheme of arrangement in accordance with the Exclusivity Agreement as determined by the indication of preference received from the relevant creditors during the creditors' election period. Furthermore, creditors whose indebtedness represents more than 75% in value of the total indebtedness had executed the standstill agreement (the "Standstill Agreement") with the Group during the creditors' election period. Subsequently, on 22 December 2010, Deloitte issued a notice informing all relevant parties participating in the Standstill Agreement that the long stop date under the Standstill Agreement has been extended from 31 December 2010 to 31 March 2011. The Company is currently seeking a further extension of the long stop date under the Standstill Agreement.

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.

The details of the conditions precedent and updates on the Proposed Restructuring are further described in the announcements of the Company on 16 September 2010, 30 September 2010, 24 December 2010 and 14 February 2011 (hereinafter referred to as the "Announcements"). 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 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 50,000,000,000 Adjusted Shares of HK$0.01 each and the issued share capital of the Company will be reduced to HK$486,499.14 divided into 48,649,914 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 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 the proceeds of the Subscription); (ii) the funds received through the realisation or winding up of the Scheme Subsidiaries after payment of their respective liabilities; and (iii) assignments and/or transfers of balances between Scheme Subsidiaries and the Company together with the Retained Subsidiaries up to the Effective Date to Newco or the Administrators (or their nominees) for the purpose of the Creditor Schemes.

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

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

(c) *Group Reorganisation*

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

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

(d) *Subscription for New Shares*

Pursuant to the Subscription Agreement dated 27 August 2010 (as amended by the supplemental subscription agreement on 28 September 2010 and 23 December 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, resulting in the cash consideration, before expenses, of HK$162 million.

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$158,823,000 (2009: HK$2,164,419,000) for the year ended 31 December 2010 and as at that date, the Group had net current liabilities of approximately HK$1,351,287,000 (2009: HK$1,247,646,000) and net liabilities of approximately HK$1,354,518,000 (2009: HK$1,194,491,000) respectively.

At the end of the reporting period, the Group was unable to immediately meet its current debts obligation when they fall due and defaulted in the repayment of the bank borrowings and trade payables, which in turn triggered cross-default provisions in other credit facilities and became repayable on demand.

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 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 the Creditor Schemes and the Subscription Agreement to settle with the Creditors and allow the trading in the shares of the Company being resumed. The Directors are of the view that the major procedures of the Proposed Restructuring 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 2010. 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) Classification of Land Leases

Amendments to HKAS 17 "Leases" deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

The Group reclassifies a land lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group e.g. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the land.

Amendments to HKAS 17 has been applied retrospectively and resulted in the reclassification of the prepaid land lease payments with the carrying amounts of approximately HK$21,231,000 and HK$23,009,000 and re-presented as property, plant and equipment with an equivalent carrying amounts at 31 December 2009 and 2008 respectively. The related explanatory notes to the financial statements have also been revised to comply with the new requirements.

(b) Consolidation

Under the HKAS 27 (Revised) "Consolidated and Separate Financial Statements", total comprehensive income is 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. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

The above requirements of HKAS27 (Revised) has been applied prospectively from 1 January 2010 and resulted in the non-controlling interests having a deficit balance reported in the profit or loss and each of the related component of other comprehensive income for the year ended 31 December 2010.

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's revenue and profit for the year ended 31 December 2010 were mainly derived from its 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.

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, lease payables 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 related accessories *HK$'000*
Year ended 31 December 2010:	
Revenue from external customers	189,544
Segment profit	11,662
Interest income	35
Interest expense	169,778
Depreciation	2,571
Income tax	2,253
Other material non-cash items:	
Inventories written off	6,390
Reversal of impairments on inventories	(4,422)
Reversal of impairments on trade receivables	(5,360)
Reversal of impairments on other receivables	(3,307)
Gain on disposal of property, plant and equipment	(47,423)
Additions to segment non-current assets	199
At 31 December 2010:	
Segment assets	50,913
Segment liabilities	892,025

	Trading and distribution of mobile phones and related accessories	Retail sales of mobile phones and related accessories (Discontinued operation)	Total
	HK$'000	*HK$'000*	*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	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 of impairment on 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	3,065	402	3,467
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

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

	2010	2009
	HK$'000	*HK$'000*
Revenue:		
Total revenue of reportable segments	**189,544**	3,272,003
Elimination of discontinued operation	**–**	(165,842)
Consolidated revenue from continuing operation	**189,544**	3,106,161
Profit or loss:		
Total profit or loss of reportable segments	**11,662**	(2,056,021)
Corporate and unallocated profit or loss	**(171,996)**	(108,583)
Elimination of discontinued operation	**–**	27,927
Consolidated loss from continuing operation	**(160,334)**	(2,136,677)
Assets:		
Total assets of reportable segments	**50,913**	176,747
Corporate and unallocated assets	**3,448**	16,116
Consolidated total assets	**54,361**	192,863
Liabilities:		
Total liabilities of reportable segments	**892,025**	733,213
Corporate and unallocated liabilities	**516,854**	654,141
Consolidated total liabilities	**1,408,879**	1,387,354

Geographical information:

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(restated)
Hong Kong	**102**	2,372,945	**1,025**	35,286
Malaysia	**9,585**	305,818	**721**	22,764
Indonesia	**140,011**	81,638	**860**	1,070
Vietnam	**24,958**	61,310	**341**	487
India	**14,888**	70,163	**68**	102
Singapore	**–**	290,761	**–**	–
Philippines	**–**	23,827	**435**	420
Other countries	**–**	65,541	**–**	–
Discontinued operation	**–**	(165,842)	**–**	–
Consolidated total for continuing operation	**189,544**	3,106,161	**3,450**	60,129

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, 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:

	2010	2009
	HK$'000	*HK$'000*
Turnover from sales of mobile phones and related accessories, net	**185,779**	3,263,274
Other revenue:		
Rental income	**2,064**	8,454
Sundry income	**1,701**	275
Total revenue	**189,544**	3,272,003
Representing:		
Continuing operation	**189,544**	3,106,161
Discontinued operation *(note 9)*	**–**	165,842
	189,544	3,272,003

6. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Gain on derivative financial instruments	**–**	503
Compensation from insurance claim	**266**	827
Interest income	**35**	4,455
Exchange gains, net	**–**	2,303
Gain on disposal of property, plant and equipment	**47,423**	5,020
Reversal of impairment on trade receivables	**5,360**	–
Reversal of impairment on other receivables	**3,307**	–
Sundry income	**1,317**	4,694
	57,708	17,802
Representing:		
Continuing operation	**57,708**	13,131
Discontinued operation *(note 9)*	**–**	4,671
	57,708	17,802

7. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest expenses on borrowings and payables wholly repayable within five years		
– bank borrowings	**61,146**	40,680
– finance leases	**112**	286
– trade payables	**108,520**	57,664
	169,778	98,630
Representing:		
Continuing operation	**169,778**	97,839
Discontinued operation *(note 9)*	**–**	791
	169,778	98,630

8. INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
Overseas current tax	**545**	977
Under/(over) provision in prior years	**1,727**	(2,971)
Deferred tax	**(19)**	14,760
	2,253	12,766
Representing:		
Continuing operation	**2,253**	10,855
Discontinued operation *(note 9)*	**–**	1,911
	2,253	12,766

No provision for Hong Kong profits tax is required since the Group has no assessable profit sourced in Hong Kong for both years. 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 before tax multiplied by the Hong Kong profits tax rate is as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before tax:		
From continuing operation	**(158,081)**	(2,125,822)
From discontinued operation	**–**	(26,016)
	(158,081)	(2,151,838)
Calculated at a domestic tax rate of 16.5% (2009: 16.5%)	**(26,083)**	(355,053)
Effect of different tax rates in other countries	**7,075**	(11,067)
Income not subject to tax	**(9,942)**	(15,010)
Expenses not deductible for tax purpose	**20,809**	34,886
Utilisation of previously unrecognised tax losses	**–**	(5,109)
Under/(over) provision of tax in prior years	**1,727**	(2,971)
Effect on opening deferred tax assets due to change in tax rate	**(907)**	138
Tax losses not recognised	**9,574**	366,952
	2,253	12,766

9. DISCONTINUED OPERATION

During the prior year, the Group had ceased its operation in retail sales of mobile phones and related accessories. The loss for the prior year from the discontinued operation was analysed as follows:

	2009
	HK$'000
Loss from discontinued operation	(35,248)
Gain on disposal of subsidiaries	7,321
	(27,927)

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

	2009
	HK$'000
Revenue	165,842
Cost of sales	(150,928)
Gross profit	14,914
Other income	4,671
Selling and distribution expenses	(11,151)
General and administrative expenses	(36,730)
Other operating expenses	(4,250)
Loss from operation	(32,546)
Finance costs	(791)
Loss before tax	(33,337)
Income tax	(1,911)
Loss for the year	(35,248)

The net cash outflows incurred by the operation in retail sales of mobile phones and related accessories were as follows:

	2009
	HK$'000
Operating activities	(72,929)
Investing activities	51,782
Financing activities	(22,326)
Net cash outflows	(43,473)

10. LOSS FOR THE YEAR

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**187,313**	3,245,391
Auditors' remuneration:		
– provision for the year	**1,693**	1,760
– (over)/under provision in prior years	**(1,061)**	755
Depreciation:		
– property, plant and equipment	**2,571**	7,570
– investment property	**194**	179
Direct operating expenses arising from investment property that generate rental income	**233**	220
Loss on financial assets at fair value through profit or loss*	**–**	614
Losses on derivative financial instruments*:	**–**	922
Operating leases:		
– land and buildings	**2,620**	18,435
– office equipment	**227**	518
Pre-operating costs	**–**	333
Impairment on investment in an associate*	**–**	1,785
Impairment on property, plant and equipment*	**–**	3,467
Inventories written off (included in cost of inventories sold)	**6,390**	17,081
Impairment on trade receivables**	**–**	1,850,088
Bad debts written off**	**–**	24,473
Impairment on prepayments, deposits and other receivables*	**–**	19,893
Staff costs (including Directors' remuneration):		
– salaries, bonuses and allowances	**15,023**	79,075
– equity-settled share-based payments	**93**	895
– retirement benefits scheme contributions	**680**	4,664
	15,796	84,634
Exchange losses/(gains)*	**1,404**	(2,302)
Gains on disposal of property, plant and equipment*	**(47,423)**	(5,020)
Gain on disposal of subsidiaries	**–**	(7,321)
Reversal of impairment on inventories[#] (included in cost of inventories sold)	**(4,422)**	(25,726)
Reversal of impairment on trade receivables*	**(5,360)**	–
Reversal of impairment on other receivable*	**(3,307)**	–

* 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.

11. 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 profit of approximately HK$85,522,000 (2009: a loss of approximately HK$1,567,815,000).

12. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 and 2009.

13. LOSS PER SHARE

(a) From continuing and discontinued operations

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$158,823,000 (2009: HK$2,164,419,000) and the weighted average number of 1,945,996,565 (2009: 1,945,754,099) ordinary shares in issue during the year.

(b) From continuing operation

The calculation of basic loss 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$158,823,000 (2009: HK$2,136,509,000) and the denominators for number of shares in issue were the same as that detailed above for basic loss per share from continuing and discontinued operations.

(c) From discontinued operation

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

The Company's outstanding share options has not had a dilutive effect on loss per share for the two years ended 31 December 2010 and 2009.

14. TRADE RECEIVABLES

The normal credit period granted to the customers of the Group was up to 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	
	2010	2009
	HK$'000	*HK$'000*
1-30 days	**8,050**	12,405
31-60 days	**2,339**	18,492
61-90 days	**–**	34,871
91-120 days	**1,969**	36,594
Over 120 days	**1,239,384**	1,835,833
Less: Impairments	**(1,239,653)**	(1,921,313)
	12,089	16,882

At the end of the reporting period, the trade receivables with the carrying amounts of approximately HK$4,039,000 (2009: HK$nil) were past due but not impaired. Approximately HK$2,339,000 and HK$1,700,000 which were falling within the ageing band from 31 to 60 days and 91 to 120 days respectively.

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 HK$1,239,653,000 (2009: HK$1,921,313,000) 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	
	2010	2009
	HK$'000	*HK$'000*
At 1 January	**1,921,313**	71,017
Impairments for the year	**–**	1,850,088
Release on disposal of subsidiaries	**–**	(795)
Reversal of impairment	**(5,360)**	–
Written off against trade receivables	**(679,837)**	–
Exchange differences	**3,537**	1,003
At 31 December	**1,239,653**	1,921,313

15. TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade payables	**448,372**	442,614
Bills payables	**114,791**	143,154
	563,163	585,768

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
1-30 days	**9,186**	4,534
31-60 days	**4**	3,591
61-90 days	**118**	33,593
91-120 days	**8,690**	82,886
Over 120 days	**430,374**	318,010
	448,372	442,614

Included in the trade payables at the end of the reporting period, approximately HK$407,424,000 (2009: HK$412,341,000) 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 (2009: HK$344,500,000) and approximately HK$62,924,000 (2009: HK$67,841,000) 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 and the pledged bank deposits of the Group to the extent of HK$nil (approximately HK$16,770,600). The bills payables of the Group were interest-bearing at approximately 5.64% (2009: 3.27%) per annum.

16. INVESTMENT PROPERTY AND NON-CURRENT ASSET HELD FOR SALE

	Group		
	Investment Property		**Non-current held for sale**
	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	8,539	8,650	–
Charge for the year	(194)	(179)	–
Exchange differences	933	68	–
Classified as non-current asset held for sale-*note 16 (d)*	(9,278)	–	9,278
At 31 December	–	8,539	9,278

(a) The investment property held for sales is freehold property located at Suite 3A-5, Level 5, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia. The estimated fair value of the property at the end of the reporting period was approximately HK$19,371,000 (2009: HK$17,445,000) which was determined based on recent market transactions.

(b) At the end of the reporting period, the investment property held for sale with the carrying amount of approximately HK$9,278,000 (2009: HK$8,539,000) was pledged to secure for the Group's bank borrowings.

(c) The Group had no unprovided contractual obligations for future repairs and maintenance (2009: Nil).

(d) As explained in note 2 to the financial statements, the Group had defaulted in repayment of its indebtedness. As a consequence, the pledged investment property was compulsorily foreclosed by the bank creditor on 21 September 2010 (the "Foreclosure"). Subsequent to the end of the reporting period, the Foreclosure was completed on 24 January 2011. The said pledged investment property was sold at a consideration of approximately HK$19,371,000 to repay the related bank borrowings. In view of this fact, the investment property was accordingly reclassified as non-current asset held for sale at the end of the reporting period.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's restructuring in progress and the Foreclosure of the Group's pledged investment property. Further details of which are stated in note 2 and 16(d) to this announcement.

18. 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 2009 (the "2009 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 the going concern basis, details of which are set out in our audit report dated 21 September 2010. Accordingly, we were then unable to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the Group's results and cash flows for that year then ended.

2. Scope limitation – opening inventories

We were initially appointed as auditor of the Company subsequent to the end of its reporting period of 31 December 2009. In consequence we were unable to carry out satisfactory auditing procedures or by other alternative means to obtain adequate assurance regarding the existence, quantities and conditions of inventories, appearing in the consolidated statement of financial position of HK$14,258,000 as at 31 December 2009. Any adjustment to the figure might have significant consequential effects on the Group's results for the two years ended 31 December 2009 and 2010 and the financial position of the Group as at 31 December 2009, and the related disclosures thereof in the consolidated financial statements.

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

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company 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 scope limitations and the material uncertainty relating to the going concern basis as described in the basis for disclaimer of opinion paragraphs, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the financial year ended 31 December 2010, the Group continued to focus on its core business of mobile phone trading and distribution.

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, management has taken appropriate measures to reduce overheads and financial commitments to ensure that the existing operations of the Group are conducted in a cost efficient manner.

Financial Review

Overview

The Group recorded a turnover from sales of mobile phones and related accessories of HK$186 million in the financial year ended 31 December 2010 ("FY2010"), representing a decrease of 94.3% over the previous financial year ended 31 December 2009 ("FY2009")'s turnover of HK$3,263 million. The Group had traditionally derived the bulk of its business and revenue from the distribution of tier-one branded mobile phones, and in FY2009 this accounted for approximately 93% of the Group's total turnover. The balance of approximately 7% comprised trading and distribution of the Group's house-brand handsets. In FY2010, the Group mainly focused on its house-brand business due to its financial predicament with its banks and trade creditors.

The loss attributable to owners of the Company was HK$159 million for FY2010, representing loss per share from continuing and discontinued operations of HK8.16 cents as compared to a loss of HK$2,164 million for FY2009, representing loss per share from continuing and discontinued operations of HK111.23 cents.

Finance costs increased by HK$72 million compared to FY2009 mainly due to interests and penalty charges on trade payables and bank borrowings.

Liquidity And Financial Resources

As at 31 December 2010, bank and cash balances of the Group were approximately HK$7 million (2009: HK$61 million), of which approximately HK$0.24 million (2009: HK$43 million) were pledged for general banking facilities.

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2010 was 935% (2009: 336%).

As at 31 December 2010, investment property, freehold properties and certain leasehold land and buildings of the Group with the aggregate carrying values of approximately HK$9 million (2009: HK$54 million) were pledged as security for the Group's general banking facilities.

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 2010 and 2009.

Contingent Liabilities

The Group and the Company did not have any significant contingent liabilities at 31 December 2010 and 2009.

Employees

As at 31 December 2010, the Group had 145 (2009: 498) employees. The total of employee remuneration, including that of the Directors, for the year ended 31 December 2010 amounted to approximately HK$16 million (2009: HK$85 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

STRATEGIES FOR 2011

The Group will remain focused on its core business of mobile phone trading and distribution and further developing its house-brand business in Indonesia, India and Vietnam.

In fine-tuning its business strategy and to further streamline the Group's operations, the Group ceased operating its offices in India and Vietnam during the first quarter of 2011 and will now continue to sell into these markets directly from its main operating base in Hong Kong. In doing so, the Group expects to achieve better economies of scale for the operations of its house-brand business and the closure of these offices is expected to give rise to cost savings without causing any significant detriment to the business that the Group expects to generate from these markets.

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.

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, with the assistance of its financial advisor, Asian Capital (Corporate Finance) Limited, is finalising the Resumption Proposal which will be submitted to the Stock Exchange as soon as practicable.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2010, the interests and short positions of the directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

SHARES IN THE COMPANY

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

Notes:

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

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

SHARES IN AN ASSOCIATED CORPORATION

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

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

Save as disclosed above, as at 31 December 2010, 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 2010, 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 2010, 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 modelled on terms no less exacting than the required standard as set out in Appendix 10 of the Rules Governing The Listing of Securities on the Stock Exchange (the "Listing Rules"), as amended from time to time.

Having made specific enquiry, all directors of the Company have confirmed compliance with the Code of Conduct throughout the year ended 31 December 2010.

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 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 2010 have not been reviewed by the audit committee as there was no independent non-executive directors (the "INED") to constitute the audit committee.

SCOPE OF WORK OF ANDA CPA LIMITED

The figures above in respect of this annual results announcement for the year ended 31 December 2010 have been agreed with 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.

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 2010 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 2010 annual report.

SUSPENSION OF TRADING

Trading in the shares of the Company has been suspended since 9:30 a.m. on 27 November 2009 and will remain suspended until further notice.

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

Hong Kong, 31 March 2011

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.