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

Stock code: 8110　股票編號:8110

ANNUAL REPORT 2005　二零零五年年報

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香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

創業板乃為帶有高投資風險的公司提供一個上市的市場,尤其在創業板上市的公司毋須有過往溢利紀錄,亦毋須預測未來溢利。此外,在創業板上市的公司可因其新興性質及該等公司經營業務的行業或國家而帶有風險。有意投資的人士應了解投資於該等公司的潛在風險,並應經過審慎周詳的考慮後方作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深投資者。

由於創業板上市公司新興的性質使然,在創業板買賣的證券可能會較於主板買賣之證券承受較大的市場波動風險,同時無法保證在創業板買賣的證券會有高流通量的市場。

創業板發佈資料的主要方法為透過聯交所運作的互聯網網頁刊登。上市公司一般毋須在憲報指定報章刊登付款公佈。因此,有意投資的人士應注意彼等須瀏覽創業板網頁www.hkgem.com,以便取得創業板上市發行人的最新資料。

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NG KOK YANG

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REMUNERATION COMMITTEE
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NOMINATION COMMITTEE
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SEE TAK WAH

COMPLIANCE OFFICER
NG KOK HONG

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
MAH KWONG CHEE DYLAND

REGISTERED OFFICE
UGLAND HOUSE, SOUTH CHURCH STREET, P.O. BOX 309,
GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
SUITE 1919-1923, 19TH FLOOR, GRANDTECH CENTRE,
8 ON PING STREET, SHATIN, NEW TERRITORIES, HONG KONG

COMPANY WEBSITE
WWW.FIRSTMOBILE.COM

AUDITORS
PRICEWATERHOUSECOOPERS

LEGAL ADVISER AS TO HONG KONG LAW
WOO, KWAN, LEE & LO

PRINCIPAL BANKERS
BANK OF CHINA (HONG KONG) LIMITED
BUMIPUTRA-COMMERCE BANK BERHAD
CITIC KA WAH BANK LIMITED
MALAYAN BANKING BERHAD

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
BUTTERFIELD FUND SERVICES (CAYMAN) LIMITED
BUTTERFIELD HOUSE, 68 FORT STREET, P.O. BOX 705,
GEORGE TOWN, GRAND CAYMAN, CAYMAN ISLANDS

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
ABACUS SHARE REGISTRARS LIMITED
26TH FLOOR, TESBURY CENTRE,
28 QUEEN'S ROAD EAST, WANCHAI, HONG KONG

MAJOR OPERATING COMPANIES

FIRST MOBILE GROUP HOLDINGS LIMITED

MOBILE PHONE DISTRIBUTION

FIRST TELECOM INTERNATIONAL LIMITED
(HONG KONG)

FIRST MOBILE GROUP SDN. BHD.
(MALAYSIA)

MOBILE DISTRIBUTION (M) SDN. BHD.
(MALAYSIA)

SHANGHAI FAST TELCON EQUIPMENT INTERNATIONAL TRADING CO., LTD.
(THE PEOPLE'S REPUBLIC OF CHINA)

FIRST ASIA MOBILE, INC.
(THE PHILIPPINES)

CONTACT MOBILE PTE. LTD.
(SINGAPORE)

GENERATION MOBILE PTE. LTD.
(SINGAPORE)

MOBILE CONCEPT INTERNATIONAL LIMITED
(TAIWAN)

RETAIL BUSINESS

MOBILE CITY (HONG KONG) LIMITED
(HONG KONG)

EXQUISITE MODEL SDN. BHD.
(MALAYSIA)

VoIP BUSINESS

CHI TELECOM PTY LTD
(AUSTRALIA)

CHI TEL NZ LIMITED
(NEW ZEALAND)

CORPORATE PROFILE AND MISSION

PROFILE

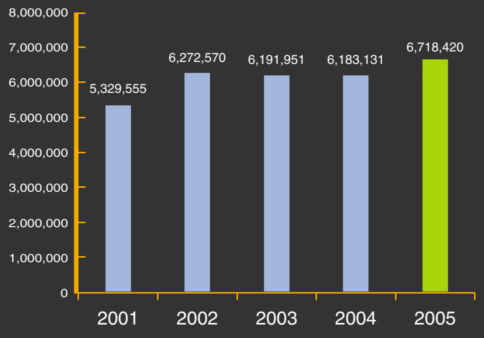
First Mobile Group Holdings Limited ("First Mobile") is a leading regional player in the trading and distribution of mobile phones and related accessories from various international brands. First Mobile offers complete value-added solutions to manufacturers, operators, dealers and end users, from pre-sales to distribution, marketing and after-sales of products.

MISSION

To sustain its market position as a regional leader in the industry, by offering advanced mobile phones from various renowned brands and meeting the demands of all users of diverse backgrounds.

CHAIRMAN'S STATEMENT

FOR THE YEARS ENDED
31ST DECEMBER
TURNOVER (HK$'000)



MAXIMISE THE OVERALL PROFITABILITY

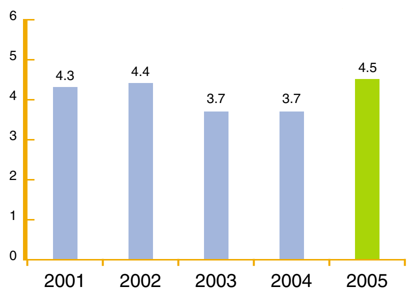
First Mobile endeavours to further enhance its unrivalled strengths and is committed to capturing arising market potential to attain robust business growth, create shareholder value and achieve remarkable results in the coming years.

First Mobile Group Holdings Limited ("First Mobile" or "the Group") achieved satisfactory results for the year ended 31st December, 2005, in spite of difficult market conditions, by continually leveraging on its core competencies, extensive network, diversified product portfolio and the strategic streamlining of its businesses.

SUMMARY OF BUSINESS OPERATIONS IN 2005

First Mobile is a leading player in the trading and distribution of mobile phones and related accessories from a wide range of reputable brands in the Asia Pacific region. First Mobile is renowned for offering comprehensive value-added solutions throughout the supply chain; from manufacturers, operators, dealers to end-users.

During the year under review, the Group further consolidated its leading market position by acquiring distribution rights to over 40 new models. Currently, the Group distributes approximately 10 brands and over 100 models of mobile phones, including those of Motorola and Samsung. By leveraging on its core competitiveness, the Group strengthened its mobile phone trading and distribution operations in key markets such as Hong Kong, Malaysia and the Philippines. The Group continued to propel the growth of its top-line revenue and sales volume increased from 3.7 million in 2004 to 4.5 million in 2005, representing a rise of approximately 21%.



FOR THE YEARS ENDED 31ST DECEMBER NUMBER OF MOBILE PHONES SOLD (MILLION)

UNSURPASSED LEADERSHIP

Staying Focussed as a Regional Leader in the Industry
and Consolidating our Market Position

CHAIRMAN'S STATEMENT

During the year 2005, the Group continued its strategic plan to streamline its businesses, which saw further cessation and disposal of non-performing and non-profitable business units. During the year under review, the Group:

(a) withdrew its mobile phone distribution business from India due to the difficult business environment for the upcoming brands that the Group represented in that country; and

(b) ceased and disposed several of its non-performing Voice-over-IP ("VoIP") business units. This included the cessation of operations in France, the United Kingdom and Hong Kong, and the subsequent divestment of these business units along with that of Canada and the United States.

These painful yet necessary steps were required to generate greater returns to First Mobile's shareholders and put the Group on a firmer financial foundation to move forward.

On the retail front, the Group continues to rollout its retail operations in Hong Kong to augment its already established retail presence in Malaysia. First Mobile started its retail business in Hong Kong, under the Group's Mobile City branding, in March 2005 with the aim of providing customers with a one-stop-shop experience. Mobile City focuses on selling 3G phones and subscription plans from major 3G operators. It also carries 2.5G models as well as mobile phone accessories, such as memory cards, card readers, batteries, Bluetooth-enabled accessories and hands-free headsets. To date, the Group operates 7 retail stores located in prime areas with high traffic flow, such as Mongkok, Sham Shui Po and Shatin. Mobile City prides itself on its superior and professional pre and post-sales customer-centric services.

FINANCIAL REVIEW

During the year under review, the Group's turnover grew to approximately HK$6,718 million, representing an increase of 9% over the previous year. Total number of unit sold was approximately 4.5 million units, representing a rise of 21% when compared with that of 2004.

Capitalising on its intensive marketing efforts, well-focused business strategy as well as stringent cost control measures, the Group's average gross profit margin was sustained at a healthy 5.2% for the year.

However, amidst a challenging market environment, the Group recorded its first ever quarterly loss during the first quarter of 2005. The Group's insightful management implemented a series of strategic measures, including the termination and disposal of loss-making businesses as well as operational restructuring, to successfully achieve a turnaround and record satisfactory performance in the remaining three quarters of the year.

The Group's strategic decision to close and dispose the various business units described above gave rise to one-time non-recurring loss of approximately HK$14 million, which dampened the Group's bottomline for the current financial year. The Group's profit attributable to equity holders decreased by 85%, from HK$59 million in 2004 to approximately HK$9 million this year. However, with the detachment of these non-performing business units and implementation of strategic measures, the Group's management is confident of and is optimistic towards the business performance in 2006.

FUTURE PLANS AND DEVELOPMENT

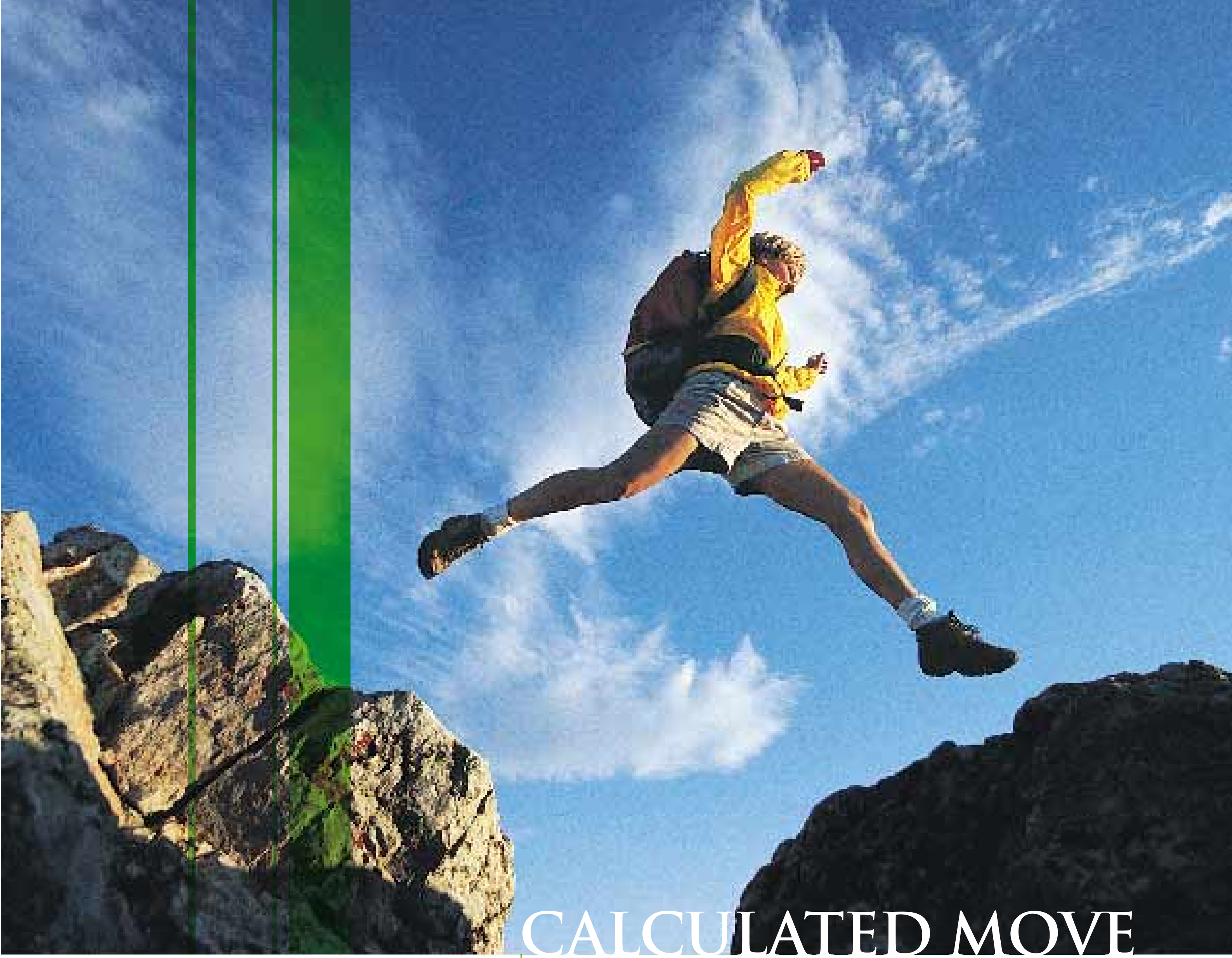
Looking ahead, First Mobile will continue to strengthen its market leadership in the mobile communication industry across the Asia Pacific region. We will seek after appropriate opportunities for acquiring new brands and business expansion while fostering closer relationship with principals, customers, suppliers and business partners, with the view of further enhancing the Group's business performance and profitability.

In October 2005, the Group entered into a subscription agreement to subscribe for 19.9% equity interest in Ace River Investments Ltd, an investment holding company owning 100% equity interest in Advanced Wireless Group Limited ("AWG"). AWG is an Original Design Manufacturing (ODM)/Original Equipment Manufacturing (OEM) manufacturer of communication equipment and devices. The investment provides the Group with priority access as well as attractive pricing to AWG's range of innovative products, allowing First Mobile to reap better profit margins and synergistic benefits.

On behalf of the Board of Directors of First Mobile, I would like to take this opportunity to express my heartfelt gratitude to our shareholders, bankers, management team, dedicated staff and business partners for their loyal support and valuable contribution. First Mobile endeavours to further enhance its unrivalled strengths and is committed to capturing arising market potential to attain robust business growth, create shareholder value and achieve remarkable results in the coming years.

Ng Kok Hong
Executive Chairman

Hong Kong, 21st March, 2006



CALCULATED MOVE

Strategic Move to Surmount Challenges and Strive for New Heights

BUSINESS FORTES OF FIRST MOBILE

The Group successfully achieved its 2005 sales target for its mobile phone distribution business under intense market competition. As at 31st December, 2005, the Group's existing product portfolio comprised approximately 10 brands and over 100 models of mobile phones, including an addition of over 40 models from upcoming brands during the year under review.

BUSINESS BY GEOGRAPHICAL COVERAGE

Mobile Phone Business

HONG KONG

Despite the saturated new subscriber market, replacement market continued to demonstrate an impressive performance during the year. In addition to lowered unemployment rate, inflated economy brought forth by the implementation of CEPA, together with increasing number of tourists from the People's Republic of China ("PRC"), helped to boost and expedite consumer spending. The Group expects sales volume of mobile phones will continue to grow in the coming years.

During the year under review, the Group successfully launched approximately 15 new mobile phone models of Korean brands. All the models are incorporated with popular features such as Mega-pixel camera, memory card slot, MPEG4 and MP3 player. To support the sales initiative, the Group introduced a series of marketing and promotion activities such as advertising, product roadshows and sales promotions. The sales of newly launched models received encouraging market response and recorded overwhelming sales performance. Models supporting 3G technology demonstrated a strong demand in the marketplace, triggering keen market competition. Amidst such challenging market conditions, First Mobile is dedicated to proactively explore new business opportunities in 3G technology.

The Group started its retail business under the brand name of Mobile City to sell mobile phones as well as 3G and 2G subscription plans in Hong Kong since March 2005. So far, the Group has opened 7 shops in addition to the various outlets under a franchisee scheme. Mobile City is the authorised dealer of two of the largest local operators 3-HK and CSL. To promote sales of mobile phones and subscription plans, Mobile City organised sales promotions and joint promotions with operators and manufacturers. It even constructed marketing tools, including a corporate website and a monthly magazine to facilitate better communication with consumers.

MALAYSIA

With a population of approximately 25 million, Malaysia is an enormous market for mobile phones with immense development potential. In 2005, the number of new mobile phone subscribers increased by approximately 28% to approximately 16 million with a penetration rate of approximately 65%, while in 2004, the penetration rate was only approximately 54% (source: Samsung Malaysia, December 2005).

Samsung is the second largest mobile phone brand in Malaysia with a market share of 22% (source: GfK report, December 2005). During the year under review, the Group's subsidiary in Malaysia attained significant development progress and successfully acquired the distribution rights of 19 new models of Samsung mobile phones, namely SGH-C200C, X480C, E330C, E630C, E810C, P730C, I700C, D500C, E720C, C230, X620, E530, E730, E640, Z500, X700, Z140, X660 and X150.

The subsidiary continued to expand the coverage of Mobile City retail shops by establishing an additional retail shop at The Curve, Damansara Mutiara. These retail shops serve as a main window offering retail sales and full-fledged customer services. Meanwhile, they also help enhance the Group's overall image of a comprehensive distributor in the retail arena.

MANAGEMENT DISCUSSION & ANALYSIS

THE PHILIPPINES

For the year under review, the total number of mobile phone subscribers in the Philippines was approximately 27 million, representing an increase of approximately 17% when compared to the same period last year. In view of the low mobile penetration rate of 15%, the Group believes that there is ample room for growth.

During the year under review, the Group was the exclusive distributor of Samsung mobile phones in the Philippines. Samsung has the second largest local market share of approximately 18%. The Group acquired distribution rights of 20 new Samsung models, namely SGH-I700, D500, E610, X480, X610, E720, X640, C210, C230, E730, E640, E530, X620, D600, E350, E630 (red), E760, X150, X660 and P730.

While consolidating its business foundation, the Group endeavours to provide more comprehensive and quality services to its customers. During the year under review, First Mobile opened 2 service centres in Iloilo Island, Central Philippines and North Edsa, and established an interactive Samsung Academy Dealer Workshop in the northern city of Laoag, for developing and building team spirit with its top dealers nationwide.

VoIP Business

Amidst the backdrop of fierce market competition, the Group carried out a restructuring in its VoIP business and discontinued operations in non-profitable areas while formulating strategy to revamp the Group's VoIP business. Upon thorough reassessment and meticulous consideration of the future prospects, First Mobile introduced a series of corrective measures which included ceasing its VoIP business in the United Kingdom and Hong Kong, after the earlier closure of operations in France, in view of the continued losses suffered by the Group in these markets. The Group disposed of these along with the loss-making business units in Canada and the United States, and recorded a gain of HK$3.7 million in the process. Meanwhile, the Group continues to operate its VoIP business in its stronghold markets in Australia and New Zealand.

FINANCIAL REVIEW

Overview

The financial year 2005 saw the Group undertake certain strategic, albeit painful, decisions to streamline its business and return the Group to a stronger financial foundation and increase shareholders' return. These included the closure of the Group's operations in India and the closure and divestment of several of the Group's VoIP business units.

The Group's key profit contributors continue to be the business units in Hong Kong, Malaysia and the Philippines with a combined profit after tax of HK$95 million. The Group will continue to focus on its core markets and competencies while streamlining its existing operations and close or divest non-performing business units as deemed necessary to ensure the Group continues to be profitable in the long term.

Turnover for the financial year 2005 amounted to approximately HK$6,718 million, representing an increase of 8.7% over last year's turnover of approximately HK$6,183 million. Total sales volume increased by 21% from 3.7 million units in 2004 to 4.5 million units for the year. Despite intense market competition and continued pressure on prices and margins, the Group successfully maintained a satisfactory average gross profit margin of 5.2% for the year (2004: 5.9%).

Selling and distribution expenses reduced by 34%, from approximately HK$101 million in 2004 to approximately HK$67 million in 2005 due to the reduced number of new product launches during 2005 and tighter cost control.

General and administrative expenses increased by 29% to approximately HK$203 million in 2005. The increase is mainly due to higher expenditure on rental of premises and overheads relating to the Group's retail operations in Hong Kong and Singapore and distribution business in Taiwan.

The Group's results were dampened by a non-recurring loss of HK$14 million resulting from the cessation of the Group's business in India during the year. Further, the closure of the Group's VoIP business units in Hong Kong and United Kingdom cost the Group HK$3.6 million in one-time charge against profits, although this was subsequently mitigated by the disposal of certain non-performing VoIP business units which in turn gave rise to a compensatory gain of HK$3.7 million. Additionally, exchange losses and losses on forward exchange contracts amounted to HK$7 million which further depressed the Group's operating profits. All of these are reflected in the net increase in other operating expenses for the year.

Finance costs increased by 38% or HK$12 million to approximately HK$45 million for the year (2004: HK$33 million) as a result of increases in interest rates.

Basic earnings per share for the year ended 31st December, 2005 is HK0.4 cent (restated 2004: HK3.0 cents).

The Group's stock level decreased to approximately HK$377 million (2004: HK$424 million) as a result of improved inventory management. This improvement is further reflected in the decrease in stock turnover days to 26 days (2004: 29 days).

Trade receivable increased from approximately HK$975 million as at 31st December, 2004 to approximately HK$1,136 million as at 31st December, 2005 in line with the increase in turnover. Debtor turnover days was 65 days for the year 2005 (2004: 59 days).

Liquidity and Financial Resources

As at 31st December, 2005, bank and cash balances of the Group were approximately HK$693 million (2004: HK$545 million), of which approximately HK$388 million (2004: HK$387 million) were pledged for general banking facilities. Total borrowings of the Group amounted to approximately HK$592 million (2004: HK$569 million), comprising long-term bank loans of approximately HK$49 million (2004: HK$8 million), obligations under finance lease of approximately HK$1 million (2004: HK$2 million), and short-term bank loans and overdrafts of approximately HK$542 million (2004: HK$559 million). The gearing ratio (total borrowings/total assets) of the Group as at 31st December, 2005 was 24% (2004: 26%).

Freehold properties and certain leasehold land and buildings of the Group with carrying values of approximately HK$46 million (restated 2004: HK$53 million) are 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.

Treasury Policies

The Group's business transactions, assets and liabilities are mainly denominated in either Hong Kong Dollar, United States Dollar, Renminbi, Euro or Malaysian Ringgit. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. As at 31st December, 2005, the Group had approximately HK$61 million (2004: HK$53 million) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies. The Group does not engage in foreign currency speculative activities.

Capital Commitments

The Group did not have any significant capital commitments as at 31st December, 2005 and 2004.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31st December, 2005 and 2004.

Employees

As at 31st December, 2005, the Group had 740 (2004: 726) employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2005 amounted to approximately HK$103 million (2004: HK$105 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, details of which are disclosed in the section on "Share Option Schemes" in the Directors' Report.

MANAGEMENT DISCUSSION & ANALYSIS

PLANS AND STRATEGIES FOR 2006

Backed by the encouraging revival of the economic health, the mobile phone industry remains robust and global demand for quality products is expected to continue its strong growth trend in 2006 and years beyond. The Group expects the mobile phone industry will again experience significant growth in 2006.

The total number of mobile subscribers worldwide at the end of 2005 grew to approximately 2 billion, demonstrating an increase of 384 million new subscribers when compared with that at the beginning of the year. This figure is expected to increase to approximately 4 billion by the end of 2011 (source: Worldwide Mobile Market Forecasts 2006-2011, January 2006). In the face of strong market demand and immense market potential, the Group will exert tremendous effort to sustain its unrivalled market position. First Mobile is dedicated to achieve greater heights and further success while propelling new products and services into the market.

According to the announcements made by major global vendors and data from Informa Telecoms & Media's WCIS www.wcisdata.com, the number of dual-mode cellular/Wi-Fi handset models in the market is set to reach between 25 and 30 in 2006 (source: EMC World Cellular, January 2006). Facing the increasing popularity of 3G technology, the Group will consolidate its solid foothold in dual-mode mobile phone market while further exploring new business opportunities, with the view of riding on the growing trend for such state-of-the-art communication technology and strengthening the Group's presence in the realm of trading and distributing 3G mobile phones.

First Mobile will continue to extend its business reach and expand its service scope by developing new retail business. It fully embraces the importance of offering quality one-stop service to operators, dealers, manufacturers and end consumers and is committed to providing all-rounded services, including customer service and after-sales service to end consumers. In order to satisfy the ever-changing consumer tastes and new technological advancements, the Group will continue to seek after quality and upcoming brands to ameliorate its product portfolio.

Capitalising on the winning strategy of focusing on upcoming and mid to high-end mobile phones, strong market presence, effective cost control and outstanding capabilities, First Mobile is confident of staying abreast of market changes by introducing new and innovative products and enhancing product portfolio while strengthening business profitability.

With the strategic measures introduced during the year, the Group successfully achieved a turnaround and remained highly positive towards the business performance in 2006. The Group is well poised to reinforce its leading market position to reap fruitful returns for its principals, customers and shareholders as well as sustain its unrivalled status as a regional distributor of mobile phones and related accessories in the Asia Pacific region.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. NG Kok Hong

Aged 42, Executive Chairman of the Group. Mr. Ng is involved in the strategic planning and operation of the Group. Since he co-founded the business with Mr. Ng Kok Tai in 1989 to distribute mobile phones in Malaysia, Mr. Ng Kok Hong has been actively involved in the mobile phone industry. Mr. Ng has successfully grown the Group's business to cover most major markets in the Asia Pacific region. Mr. Ng has contributed significantly to the strategic relationship between the Group and various renowned mobile handset manufacturers.

Mr. NG Kok Tai

Aged 45, Executive Deputy Chairman of the Group. He is also the President and Executive Director of First Mobile Group Sdn. Bhd., Mobile Distribution (M) Sdn. Bhd., Exquisite Model Sdn. Bhd. as well as a Director of First Telecom International Limited. He began his career in the Malaysian financial sector in 1981. In 1989, he and Mr. Ng Kok Hong ventured into the mobile phone industry and became one of the top mobile phone dealers in Kuala Lumpur. He is the elder brother of Mr. Ng Kok Hong and Mr. Ng Kok Yang and husband of Ms. Siew Ai Lian.

Mr. NG Kok Yang

Aged 38, Chief Executive Officer of the Group. Having obtained his law degree from the University of London, he read for the Bar at Lincoln's Inn and was admitted to the Bar of England and Wales in 1991. Upon his return to Malaysia, he was admitted to the rolls as an Advocate and Solicitor of Malaya. From 1992 to 1996, Mr. Ng Kok Yang practised law in Malaysia. In 1996, he joined First Telecom International Limited and shared in Mr. Ng Kok Hong's vision of a global mobile phone distribution network. Since then, his contribution has been invaluable to the growth of the Group, including establishing a strong supply network worldwide as well as a solid and extensive distribution channel in Asia Pacific. He is the younger brother of Mr. Ng Kok Hong and Mr. Ng Kok Tai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SEE Tak Wah

Aged 42, has been an independent non-executive Director since July 2005. Mr. See graduated from the Management School of Waikato University of New Zealand with a first class honours in Bachelor of Management Studies and is a member of the Institute of Chartered Accountants of New Zealand and a member of the Hong Kong Institute of Certified Public Accountants. Mr. See has over 15 years' experience in financial and general management. He was the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong and held key management positions in the North Asia offices of Philips and Siemens. Mr. See currently runs his own strategic consultancy business. Mr. See is also an independent non-executive director of Sun East Technology (Holdings) Limited and Buildmore International Limited.

Mr. WU Wai Chung Michael

Aged 56, has been an independent non-executive Director since August 2000. Mr. Wu is currently a non-executive director of SW Kingsway Capital Holdings Limited. He was the Deputy Chairman of the Shanghai Stock Exchange until July 2002. Prior to that, he was a full time Advisor to the China Securities Regulatory Commission. Until the end of 1997, he was the Deputy Chairman and Chief Operating Officer of the Securities and Futures Commission of Hong Kong. Mr. Wu is also an independent non-executive director of Interchina Holdings Company Limited, Shenzhen Investment Limited and International Financial Network Holdings Ltd..

Mr. WONG Tin Sang Patrick

Aged 73, has been an independent non-executive Director since August 2001. Mr. Wong is a retired banker. Mr. Wong has over 40 years of experience in the banking industry and had held senior positions with various banking institutions. His last position was that of a business advisor in the corporate banking group at CITIC Ka Wah Bank Limited.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. CHEUNG Man Yi Claudia

Aged 36, Vice President (Marketing) of the Group. Ms. Cheung is responsible for the marketing activities of the Group. She holds a Bachelor Degree of Arts from the University of Toronto, Canada. Prior to joining the Group in 2000, Ms. Cheung has many years of experience in the advertising and marketing industries.

Mdm. ENG Sew Chin

Aged 58, Group Treasurer. Mdm. Eng is also a director and Chief Financial Officer of First Mobile Group Sdn. Bhd. in Malaysia and has more than 33 years of experience in the accounting and financial field. Prior to joining the Group in July 2000, Mdm. Eng was the Financial Controller of a big group of companies involved in manufacturing, services, trading, and plantations in Malaysia. Mdm. Eng is the elder sister of Mr. Ng Kok Hong, Mr. Ng Kok Tai and Mr. Ng Kok Yang.

Ms. HONG Heng Mei

Aged 38, Vice President (Human Resources) of the Group. Ms. Hong is an associate member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. Ms. Hong has over 15 years of experience in finance and accounting as well as human resources management. Prior to joining the Group in October 2002, Ms. Hong worked for multinational corporations in Malaysia, Hong Kong and Singapore.

Mr. KHOO Chan Leng

Aged 34, Country Manager of First Asia Mobile, Inc. ("FAMI") in the Philippines. Mr. Khoo joined FAMI in September 2002, where he was relocated to Manila from Hong Kong. Prior to joining the Group, he was the Assistant Financial Controller of Philips Electronics Hong Kong Ltd.. He has been working in the business and finance fields for more than 11 years and is currently a member of the accountancy bodies in Australia, Malaysia and Hong Kong.

Mr. MAH Kwong Chee Dyland

Aged 38, Chief Financial Officer of the Group and the Company Secretary and Qualified Accountant of the Company. Mr. Mah is a fellow of the Association of Chartered Certified Accountants and brings with him over 15 years of professional experience. Prior to joining the Group, he has held senior positions with multinational corporation and public-listed company around the region.

Mr. NG Kian Teck Simon

Aged 47, Executive Vice President (Corporate Planning) of First Mobile Group Sdn. Bhd. in Malaysia. Mr. Ng has a Master Degree in Business Administration from the University of Bath, the U.K.. He has over 20 years of experience in the mobile phone industry. Prior to joining the Group in April 1999, he held senior positions with a listed company in Malaysia.

Mr. REY Benjamin

Aged 30, Senior Vice President (International Department) of the Group. Mr. Rey graduated from the European Business School, Paris, France with a major in marketing and management. He joined the Group in 1997 and has played a decisive role in the growth of the Group both in the domestic distribution and the international trading development.

Ms. SIEW Ai Lian

Aged 46, an Alternate Director of First Mobile Group Sdn. Bhd. in Malaysia. Ms. Siew was educated in Malaysia and has extensive experience in administration and human resources management. Ms. Siew is an Associate Member of the Malaysian Institute of Management. She joined the Group in 1996. Prior to that, she worked with a number of financial institutions and foreign agencies in Malaysia. She is the wife of Mr. Ng Kok Tai.

Mr. TAN Joseph

Aged 50, Executive Vice President (Sales, Marketing Service & Logistics) of First Mobile Group Sdn. Bhd. in Malaysia. Mr. Tan obtained his Bachelor of Economics from University of South Wales, Cardiff, the U.K.. Before joining the Group in January 2003, Mr. Tan has over 22 years of experience working in multinational organisations with portfolios that include general management, marketing, sales and new business development in different countries such as Russia, the U.S., Switzerland, Indonesia, Vietnam and Singapore.

Mr. WONG Wai Hoe

Aged 38, Vice President (Hong Kong Operation) of First Telecom International Limited. Mr. Wong is a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in 2000, Mr. Wong worked in the corporate finance department of a merchant bank in Malaysia and an accounting firm in London.

DIRECTORS' REPORT

The directors of the Company (the "Directors") have pleasure in submitting to shareholders their report together with the audited accounts of First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities and other particulars of the principal subsidiaries are set out in note 34 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 31.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2005.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$100,000.

INTANGIBLE ASSETS, LEASEHOLD LAND AND FIXED ASSETS

Details of the movements in intangible assets, leasehold land and fixed assets are set out in notes 14, 15 and 16 to the accounts respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the accounts.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 92.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

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

Independent Non-Executive Directors

Mr. See Tak Wah	(appointed on 1st July, 2005)
Mr. Wu Wai Chung Michael	
Mr. Wong Tin Sang Patrick	
Mr. Sze Tsai To Robert	(resigned on 1st July, 2005)

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange") (the "GEM Listing Rules"). The Company, based on such confirmation, considers all the independent non-executive Directors to be independent.

In accordance with Articles 116 and 99 of the Company's Articles of Association, Mr. Ng Kok Hong and Mr. See Tak Wah retire respectively at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

A profile of the Directors and senior management are set out on pages 15 to 16.

DIRECTORS' SERVICE CONTRACTS

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

Based on the audited financial results for the year ended 31st December, 2005, the maximum amount of discretionary bonus that the executive Directors would have been entitled to was approximately HK$850,000 (restated 2004: HK$5,857,000). During the year ended 31st December, 2005, the executive Directors were entitled to a discretionary bonus of HK$750,000 (2004: HK$1,800,000).

The independent non-executive Directors of the Company, Mr. See Tak Wah, Mr. Wu Wai Chung Michael and Mr. Wong Tin Sang Patrick, have been appointed for a specific term and subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, none of the Directors standing for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely pre-listing share option plan (the "Pre-Listing Share Option Plan") and share option scheme (the "2000 Share Option Scheme"), were approved and adopted. The summary of the terms of the two share option schemes had been set out in Appendix V of the Company's prospectus in connection with placing of the Company's shares dated 20th December, 2000.

At the annual general meeting held on 29th April, 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the operation of the 2000 Share Option Scheme. No options had been granted under the 2000 Share Option Scheme since its adoption on 15th December, 2000 and up to the date of its termination. The summary of the terms of the 2003 Share Option Scheme was disclosed in the circular to shareholders dated 27th March, 2003.

1 2003 Share Option Scheme

Under the 2003 Share Option Scheme, the board of Directors (the "Board") or a duly authorised committee thereof which shall include the independent non-executive Directors (the "Committee") may, at its discretion, invite any participant (as defined in the 2003 Share Option Scheme), including any employee and any director of any company in the Group, to take up options at HK$1.00 per option to subscribe for shares in the Company (the "Shares") at the higher of (i) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. The total number of Shares which may be issued upon exercise of all options under the 2003 Share Option Scheme and the Pre-Listing Share Option Plan must not exceed 10% of the total number of Shares in issue as at the date of approval of the 2003 Share Option Scheme and as refreshed by members in general meeting in accordance with the terms of the 2003 Share Option Scheme.

Options granted under this scheme may be exercised within a period to be notified by the Board or the Committee to each grantee as being the period during which an option may be exercised, and in any event, such period shall not be longer than 10 years from the date of grant of the option.

The maximum number of Shares in respect of which options may be granted under the 2003 Share Option Scheme and any other share option schemes of the Company (including the Pre-Listing Share Option Plan) shall not exceed 30% of the total number of Shares in issue from time to time.

As at 31st December, 2005, no options under this scheme had been granted.

SHARE OPTION SCHEMES (continued)

2 Pre-Listing Share Option Plan

The purpose of the Pre-Listing Share Option Plan is to recognise the contribution of certain Directors and employees to the growth of the Group and/or to the listing of the Shares on GEM of the Exchange on 29th December, 2000 (the "Listing Date"). On 15th December, 2000, options to subscribe for an aggregate of 174,965,000 Shares at an exercise price of HK$0.82 per share were granted by the Company to the Directors of the Company and certain employees of the Group. Pursuant to the Pre-Listing Share Option Plan, the 3 executive Directors of the Company were granted options to subscribe for an aggregate of 132,125,000 Shares, 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

Each of the grantees to whom options have been granted under the Pre-Listing Share Option Plan will be entitled to exercise (i) 10% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 6 months from the Listing Date, (ii) 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, (iii) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 18 months from the Listing Date, (iv) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 24 months from the Listing Date, and (v) the remaining 20% of the options granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 30 months from the Listing Date and, in each case, not later than three years from the date of exercise of the options.

Options to subscribe for 70,742,875 Shares in the Company lapsed during the year ended 31st December, 2005 of which 69,645,625 Shares lapsed due to the expiry of the option period in accordance with the terms of the Pre-Listing Share Option Plan and the remaining 1,097,250 Shares lapsed due to the resignation of employees. As at 31st December, 2005, there are options remaining to subscribe for an aggregate of 27,630,750 Shares, representing 1.4% of the issued share capital of the Company. This comprised options to subscribe for an aggregate of 26,425,000 Shares granted to the 3 executive Directors of the Company, options to subscribe for an aggregate of 700,000 Shares granted to 3 senior management staff and options to subscribe for an aggregate of 505,750 Shares granted to 25 employees.

During the year ended 31st December, 2005 and up to the date of this report, no options had been exercised or cancelled.

Following the adoption of the 2003 Share Option Scheme and the termination of the 2000 Share Option Scheme on 29th April, 2003, the above-mentioned outstanding options granted under the Pre-Listing Share Option Plan shall continue to be subject to the provisions of the Pre-Listing Share Option Plan and will not in any event be affected by the adoption and termination of the schemes.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2005, the interests and short positions of the Directors and chief executive of the Company in 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:

1 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%
Mr. Wu Wai Chung Michael	2,003,500	–	–	2,003,500	0.10%

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.

2 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES (continued)

3 Options to subscribe for Shares in the Company

	Number of underlying shares under the Pre-Listing Share Option Plan					
	Outstanding at 1st January, 2005		Lapsed during the year		Outstanding at 31st December, 2005	
Name of Director	Personal interests	Family interests (note)	Personal interests	Family interests	Personal interests	Family interests
Mr. Ng Kok Hong	33,075,000	–	(23,625,000)	–	9,450,000	–
Mr. Ng Kok Tai	29,400,000	612,500	(21,000,000)	(437,500)	8,400,000	175,000
Mr. Ng Kok Yang	30,012,500	–	(21,437,500)	–	8,575,000	–

NOTE: The option to subscribe for shares in the Company was granted to 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 this option.

These options were granted on 15th December, 2000 under the Pre-Listing Share Option Plan and are exercisable at HK$0.82 per share. None of the above Pre-Listing share options had been exercised during the year.

Save as disclosed above, as at 31st December, 2005, none of the Directors, chief executive or their associates had any interests, short positions or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st December, 2005, other than the interests disclosed in the section headed "Directors' interests and short positions in shares" above, 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 (as defined in the GEM Listing Rules) had an interest in a business (as defined in rule 11.04 of the GEM Listing Rules) which competes or may compete with the business of the Group.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

ADVANCE TO AN ENTITY

According to rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Company's total market capitalisation. As at 31st December, 2005, trade receivable from a customer of the Group (the "Trade Receivable"), 上海頂一電訊設備有限公司 (the "Customer"), a company which is independent of, and not connected with, the Company, the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules), amounted to approximately HK$52,000,000, representing approximately 12% of the Company's total market capitalisation as at 31st December, 2005. The Trade Receivable resulted from sales to the Customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured and interest free, and has normal terms of settlement.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	6.6%
– five largest customers combined	16.7%
Purchases	
– the largest supplier	70.4%
– five largest suppliers combined	90.5%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTION

On 29th September, 2005, First E-Pro Limited (the "Vendor"), an indirect wholly owned-subsidiary of the Company, entered into a sale and purchase agreement with China Huge International Limited (the "Purchaser") for the disposal of 70% equity interest in Chi Tel Global Holdings Limited ("CTGH"), an indirect subsidiary of the Company, for a total consideration of US$300,000 (approximately HK$2.3 million). The consideration shall be payable in cash or in kind in the form of VoIP telephony equipment to the value and condition acceptable to Vendor within six months from completion of the agreement. Purchaser is a substantial shareholder of CTGH. Mr. Frank CD Huang, a director of CTGH, is also a director and substantial shareholder of Purchaser.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 26 to 29.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Ng Kok Hong
Executive Chairman

Hong Kong, 21st March, 2006

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and strives to continually improve on its governance processes as articulated in the new Code on Corporate Governance Practices as set out by the Exchange.

Save as disclosed herein with regards to the amendment to Article 116 of the Company's Articles of Association which is subject to shareholders' approval at the forthcoming annual general meeting, the Company has complied with the Code on Corporate Governance Practices.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is presently composed of six members, comprising three executive Directors and three independent non-executive Directors. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors' profile are set out on page 15. The three executive Directors are brothers.

The Board members as at 31st December, 2005 were:

Executive Directors

Mr. Ng Kok Hong (Executive Chairman)
Mr. Ng Kok Tai (Executive Deputy Chairman)
Mr. Ng Kok Yang (Chief Executive Officer)

Independent Non-Executive Directors ("INEDs")

Mr. See Tak Wah
Mr. Wu Wai Chung Michael
Mr. Wong Tin Sang Patrick

The Board is responsible for directing the Group to success and enhancing shareholders' value by formulating the Group's overall strategy, key objectives and policies. The Board monitors and oversees the operating and financial performance of the Group pursuant to these objectives.

The Board has established three Board Committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of certain of the Board's responsibilities.

The Board has also delegated the day-to-day management and operation of the Group's business to the management team.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

There are currently three non-executive Directors on the Board, all of whom are independent. They have been appointed for a specific term and subject to retirement by rotation in accordance with the Company's Articles of Association and thus submit themselves, on a rotation basis, for re-election by shareholders.

In accordance with Article 116 of the Company's Articles of Association, one-third of the Directors, or such number nearest to but not exceeding one-third, are subject to retirement by rotation each year. However, Article 116 does not subject every Director to retirement at least once every three years as required by the new Code on Corporate Governance Practices. A resolution will be proposed at the forthcoming annual general meeting scheduled on 26th April, 2006 to amend the Company's Articles of Association to bring it in line with this requirement.

AUDIT COMMITTEE

The Audit Committee was established on 15th December, 2000 and comprises the three INEDs:

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

The terms of reference of the Audit Committee was revised on 12th August, 2005 in accordance with the requirements of the new Code on Corporate Governance Practices. 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.

During the year ended 31st December, 2005, the Audit Committee met four times to review, consider and discuss: the appointment, scope, plan and fee of the external auditors; the external auditors' audit findings covering internal control and risk management issues; the quarterly, interim and annual financial results and statements and other financial reporting matters.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established on 9th March, 2006 and is made up of the three INEDs:

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

The terms of reference of the Remuneration Committee was formulated in accordance with the requirements of the new Code on Corporate Governance Practices. The Remuneration Committee is responsible for developing the remuneration policies of Directors and senior management.

As at the date of this report, no meeting of this newly-formed Remuneration Committee has been held.

NOMINATION COMMITTEE

The Nomination Committee was established on 9th March, 2006 and is made up of all three INEDs:

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

The terms of reference of the Nomination Committee was formulated in accordance with the requirements of the new Code on Corporate Governance Practices. The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors.

As at the date of this report, no meeting of this newly-formed Nomination Committee has been held.

ATTENDANCE RECORD AT BOARD AND AUDIT COMMITTEE MEETINGS

The Directors' attendance at Board meetings and Audit Committee meetings during the year are set out below:

Directors	Number of meeting attended/ Number of meeting held Board	Audit Committee
Executive Directors		
Mr. Ng Kok Hong	5/5	N/A
Mr. Ng Kok Tai	1/5	N/A
Mr. Ng Kok Yang	1/5	N/A
Independent Non-Executive Directors		
Mr. See Tak Wah (appointed on 1st July, 2005)	3/5	2/4
Mr. Wu Wai Chung Michael	4/5	4/4
Mr. Wong Tin Sang Patrick	5/5	4/4
Mr. Sze Tsai To Robert (resigned on 1st July, 2005)	2/5	2/4
Number of meeting held during the year	5	4

DIRECTORS' SECURITIES TRANSACTIONS

The Company has, on 14th May, 2004, 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 rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry, all Directors have confirmed compliance with the Code of Conduct throughout the year ended 31st December, 2005.

With effect from 19th January, 2006, relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to similar compliance.

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The Directors acknowledge their responsibility for the preparation of the accounts of the Group and that the accounts are issued in accordance with statutory requirements and applicable accounting standards.

AUDITORS' REMUNERATION

For the year ended 31st December, 2005, the external auditors provided the following services to the Group:

	2005 HK$'000
Audit services	1,876
Taxation advisory services	515
Audit-related services	1,105
	3,496

AUDITORS' REPORT

Auditors' Report to the Shareholders of
First Mobile Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 31 to 91 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21st March, 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Turnover	4	**6,718,420**	6,183,131
Cost of sales	5	**(6,369,341)**	(5,816,871)
Gross profit		**349,079**	366,260
Other income/revenues	4	**18,981**	10,925
Selling and distribution expenses		**(67,068)**	(101,053)
General and administrative expenses		**(203,460)**	(157,235)
Other operating income		**6,150**	13,237
Other operating expenses		**(22,559)**	(7,786)
Operating profit	6	**81,123**	124,348
Finance costs	7	**(45,368)**	(32,796)
Profit before taxation		**35,755**	91,552
Taxation	8	**(29,432)**	(40,098)
Profit for the year		**6,323**	51,454
Attributable to:			
Equity holders of the Company	9	**8,498**	58,568
Minority interests		**(2,175)**	(7,114)
Profit for the year		**6,323**	51,454
Earnings per share	10		
– basic		**HK0.4 cent**	HK3.0 cents
– diluted		**HK0.4 cent**	HK3.0 cents
Dividend	11	**–**	9,728

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Non-current assets			
Intangible assets	14	**12,139**	17,123
Leasehold land	15	**23,735**	24,307
Fixed assets	16	**49,222**	63,261
Deferred tax assets	29	**9,203**	5,589
Available-for-sale financial asset	18	**65,000**	–
		159,299	110,280
Current assets			
Inventories	19	**376,982**	424,261
Financial assets at fair value through profit or loss	20	**627**	687
Trade receivable	21	**1,136,240**	974,649
Other receivables and prepayments		**111,495**	121,163
Tax recoverable		**6,712**	1,940
Bank balances and cash	22		
– pledged		**387,692**	387,354
– not pledged		**304,850**	157,383
		2,324,598	2,067,437
Current liabilities			
Trade payable	23	**701,466**	422,952
Bills payable		**245,137**	209,049
Other payables and accrued charges		**107,259**	145,441
Derivative financial instruments	24	**3,147**	1,649
Current portion of long-term liabilities	28	**897**	4,131
Taxation payable		**15,841**	16,677
Bank loans and overdrafts	25		
– secured		**532,867**	548,534
– unsecured		**8,891**	10,498
		1,615,505	1,358,931
Net current assets		**709,093**	708,506
Total assets less current liabilities		**868,392**	818,786

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**194,570**	194,570
Reserves	27	**622,714**	608,339
Proposed final dividend	27	**–**	9,728
		817,284	812,637
Minority interests		**355**	376
Total equity		**817,639**	813,013
Non-current liabilities			
Long-term liabilities	28	**49,777**	5,350
Deferred tax liabilities	29	**976**	423
		868,392	818,786

Ng Kok Hong
Director

Ng Kok Yang
Director

BALANCE SHEET

AS AT 31ST DECEMBER, 2005

	Note	2005 HK$'000	Restated 2004 HK$'000
Non-current assets			
Investments in subsidiaries	17	**159,823**	159,823
Current assets			
Amounts due from subsidiaries	17	**412,739**	366,205
Other receivables		**178**	178
Bank balances and cash		**35**	5,033
		412,952	371,416
Current liabilities			
Other payables and accrued charges		**1,061**	1,041
Net current assets		**411,891**	370,375
Total assets less current liabilities		**571,714**	530,198
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**194,570**	194,570
Reserves	27	**328,144**	325,900
Proposed final dividend	27	**–**	9,728
Total equity		**522,714**	530,198
Non-current liability			
Long-term liability	28	**49,000**	–
		571,714	530,198

Ng Kok Hong
Director

Ng Kok Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Note	Attributable to equity holders of the Company				
		Share capital	Other reserves	Retained earnings	Minority interests	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January, 2004, as previously reported as equity		194,570	139,173	415,652	–	749,395
Balance at 1st January, 2004, as previously reported as minority interest		–	–	–	7,272	7,272
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	27	–	(3,120)	9,837	–	6,717
Balance at 1st January, 2004, as restated		194,570	136,053	425,489	7,272	763,384
Exchange differences	27	–	(1,033)	–	218	(815)
Profit attributable to equity holders		–	–	58,568	(7,114)	51,454
Release of reserves upon dissolution of subsidiaries	27	–	(1,010)	–	–	(1,010)
Balance at 31st December, 2004		194,570	134,010	484,057	376	813,013
Balance at 1st January, 2005, as previously reported		**194,570**	**146,541**	**478,724**	**376**	**820,211**
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	**27**	**–**	**(12,531)**	**5,333**	**–**	**(7,198)**
Impact of adoption of HKFRS 3		**–**	**(162)**	**162**	**–**	**–**
Balance at 1st January, 2005, as restated		**194,570**	**133,848**	**484,219**	**376**	**813,013**
Exchange differences	**27**	**–**	**3,898**	**–**	**742**	**4,640**
Profit attributable to equity holders		**–**	**–**	**8,498**	**(2,175)**	**6,323**
Disposal of subsidiaries	**27**	**–**	**(12)**	**–**	**1,412**	**1,400**
Surplus on revaluation of available-for-sale financial asset	**27**	**–**	**1,991**	**–**	**–**	**1,991**
2004 final dividend		**–**	**–**	**(9,728)**	**–**	**(9,728)**
Balance at 31st December, 2005		**194,570**	**139,725**	**482,989**	**355**	**817,639**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Note	2005 HK$'000	2004 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**205,156**	152,264
Hong Kong profits tax paid		**(10,159)**	(10,158)
Hong Kong profits tax refund		**121**	–
Overseas taxation paid		**(27,533)**	(24,553)
Overseas taxation refund		**829**	1,043
Interest received		**8,866**	5,095
Interest paid		**(31,817)**	(19,965)
Bank and other charges paid		**(12,391)**	(12,006)
Net cash inflow from operating activities		**133,072**	91,720
Cash flows from investing activities			
Purchase of fixed assets		**(7,198)**	(8,396)
Sale of fixed assets		**6,587**	157
Acquisition of subsidiaries	30(e)	**(2,544)**	–
Disposal of subsidiaries, net of cash disposed	30(f)	**(133)**	–
Increase in pledged bank deposits		**(338)**	(49,765)
Purchase of financial assets at fair value through profit or loss		**–**	(9)
Net cash used in investing activities		**(3,626)**	(58,013)
Cash flows from financing activities	30(b)		
Interest element of finance lease payments		**(171)**	(195)
Dividend paid		**(9,728)**	–
Capital element of finance lease payments		**(1,005)**	(922)
Drawdown of long-term bank loans		**49,000**	–
Repayment of long-term bank loans		**(6,978)**	(35,173)
(Decrease)/increase in short-term bank loans		**(15,657)**	21,419
Net cash from/(used in) financing activities		**15,461**	(14,871)
Effect of foreign exchange rate changes		**4,167**	(1,952)
Net increase in cash and cash equivalents		**149,074**	16,884
Cash and cash equivalents at beginning of year		**146,885**	130,001
Cash and cash equivalents at end of year	30(d)	**295,959**	146,885

NOTES TO THE ACCOUNTS

First Mobile Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is principally engaged in the trading and distribution of mobile phones and accessories and the provision of inter-city/international telecommunication services using VoIP technology.

The Company is a limited liability company incorporated in Cayman Islands. The address of its registered office is Ugland House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands.

The Company is listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Exchange").

These consolidated accounts are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated. These consolidated accounts have been approved for issue by the Board of Directors on 21st March, 2006.

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivative financial instruments and available-for-sale financial asset, which are carried at fair value.

The preparation of accounts in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed in note 3.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies

In 2005, the Group adopted the new/revised standards and interpretation of HKFRSs below, which are relevant to its operations. The 2004 comparatives have been restated or reclassified as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 4	Insurance Contracts

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, HKAS Int 15, and HKFRSs 2 and 4 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33, 37, HKAS Int 15 and HKFRSs 2 and 4 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(i) HKAS 17 Leases

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land was previously included in leasehold properties which are stated at fair value. In accordance with the provisions of HKAS 17, leasehold properties are split into a lease of land and a lease of building in proportion to the relative fair values of the interests in the land element and the building element of the lease at the inception of the lease. The lease premium for leasehold land is stated at cost and amortised over the period of the lease. HKAS 17 has been applied retrospectively.

Building portion of freehold and leasehold properties was previously stated at fair value. Following the adoption of HKAS 17 where leasehold land is subject to amortisation, the accounting policy on building is changed and buildings are now stated at cost less accumulated depreciation and impairment. This change in accounting policy has been applied retrospectively.

(ii) HKFRS 3 Business Combinations; HKAS 36 Impairment of Assets and HKAS 38 Intangible Assets

The adoption has resulted in a change in accounting policy for goodwill. Goodwill was previously amortised on a straight-line basis over a period not exceeding 20 years, and assessed for impairment at each balance sheet date.

Under HKFRS 3, goodwill is no longer amortised. Instead, it is tested for impairment annually, or more frequently, if events or changes in circumstances indicate a possible impairment. Any excess of fair value of assets and liabilities acquired over cost is recognised immediately as income under HKFRS 3. However, HKFRS 3 requires, if an entity previously recognised goodwill as a deduction from equity, it shall not recognise that goodwill in profit and loss account when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. There is no transitional arrangement for goodwill which has previously been eliminated against reserves as a matter of accounting policy.

HKFRS 3 is applied prospectively from 1st January, 2005. Under the transitional provision of HKFRS 3, the Group has to cease amortisation of goodwill from 1st January, 2005, and the negative goodwill previously recognised has to be derecognised as at 1st January, 2005, with a corresponding adjustment to the opening retained earnings.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(iii) *HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement*

HKAS 32 and HKAS 39 establish principles for disclosure, presentation, recognition and measurement of financial instruments, including non-derivative financial assets, non-derivative financial liabilities and derivative instruments for hedging activities.

Under HKAS 39, financial assets/liabilities are carried at either amortised cost or fair value, depending on their classification. Movements in fair value are either charged to net profit or loss or taken to equity in accordance with the standard. In addition, all derivatives, including those embedded in non-derivatives host contracts are recognised in the balance sheet at fair value.

(iv) *The following table sets out the effect of adopting the new/revised HKFRSs on the consolidated accounts.*

(1) Effect on the consolidated profit and loss account for the year ended 31st December, 2005 and 2004:

	Effect of adopting			
Year ended 31st December, 2005	**HKAS 17**	**HKASs 32/39**	**HKFRS 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease in depreciation and amortisation	31	–	3,877	3,908
Increase in other operating expenses	–	(3,147)	–	(3,147)
Increase/(decrease) in profit for the year	31	(3,147)	3,877	761
Increase/(decrease) in basic earnings per share ("EPS")	HK0 cent	HK(0.2) cent	HK0.2 cent	HK0 cent

	Effect of adopting			
Year ended 31st December, 2004	**HKAS 17**	**HKASs 32/39**	**HKFRS 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Decrease in depreciation and amortisation	31	–	–	31
Decrease in revaluation surplus on properties	(4,566)	–	–	(4,566)
Decrease in taxation	31	–	–	31
Decrease in profit for the year	(4,504)	–	–	(4,504)
Decrease in basic EPS	HK(0.2) cent	–	–	HK(0.2) cent

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(iv) The following table sets out the effect of adopting the new/revised HKFRSs on the consolidated accounts. (continued)

(2) Effect on the consolidated balance sheet as at 31st December, 2005 and 2004:

	Effect of adopting			
As at 31st December, 2005	**HKAS 17**	**HKASs 32/39**	**HKFRS 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Increase/(decrease) in:				
Assets				
Intangible assets	–	–	3,877	3,877
Available-for-sale financial asset	–	1,991	–	1,991
Fixed assets	(33,769)	–	–	(33,769)
Leasehold land	24,338	–	–	24,338
Deferred tax assets	1,370	–	–	1,370
Liabilities				
Deferred tax liabilities	(894)	–	–	(894)
Derivative financial instruments	–	3,147	–	3,147
	(7,167)	(1,156)	3,877	(4,446)
Equity				
Properties revaluation reserve	(12,531)	–	–	(12,531)
Revaluation reserve for available-for-sale financial asset	–	1,991	–	1,991
Capital reserve	–	–	(162)	(162)
Retained earnings	5,364	(3,147)	4,039	6,256
	(7,167)	(1,156)	3,877	(4,446)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(iv) The following table sets out the effect of adopting the new/revised HKFRSs on the consolidated accounts. (continued)

(2) Effect on the consolidated balance sheet as at 31st December, 2005 and 2004: (continued)

As at 31st December, 2004	Effect of adopting HKAS 17 HK$'000	HKASs 32/39 HK$'000	HKFRS 3 HK$'000	Total HK$'000
Increase/(decrease) in:				
Assets				
Fixed assets	(33,769)	–	–	(33,769)
Leasehold land	24,307	–	–	24,307
Deferred tax assets	1,370	–	–	1,370
Liabilities				
Deferred tax liabilities	(894)	–	–	(894)
	(7,198)	–	–	(7,198)
Equity				
Properties revaluation reserve	(12,531)	–	–	(12,531)
Retained earnings	5,333	–	–	5,333
	(7,198)	–	–	(7,198)

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(v) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to and mandatory for the Group's accounting periods beginning on or after 1st January, 2006 or later periods but which the Group has not early adopted, as follows:

(1) HKAS 39 (Amendment), The Fair Value Option (effective from 1st January, 2006)
This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1st January, 2006.

(2) HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1st January, 2006)
This amendment regulars issued financial guarantees, other than those previously assorted by the entity to be insurance contracts to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and referred and (b) the expenditure required to settle the commitment at the balance sheet date. Management is currently assessing the impact of respective standards.

(3) HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1st January, 2007).
HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRSs. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual period beginning 1st January, 2007.

(4) HKFRS Int 4, Determining whether an Arrangement contains a Lease (effective from 1st January, 2006).
HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS Int 4 on the Group's operations.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Foreign currencies translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the profit and loss account. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Distribution right

Expenditure on acquired distribution right is capitalised and is amortised using the straight-line method over its useful life of not exceeding 20 years. When an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable amount.

(f) Merger reserve

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

(g) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of fixed assets.

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

Freehold land is not subject to amortisation.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Fixed assets (continued)

Leasehold land is amortised over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost to residual values over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2%–4%
Leasehold improvements	20%–25%
Motor vehicles	20%–25%
Furniture, fixtures and equipment	8%–25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note i).

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

(h) Assets held under finance leases

Leases that substantially transfer to the company all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Inventories

Inventories primarily comprise mobile phones and accessories for resale and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less applicable selling expenses.

(k) Financial assets

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, as other securities. Other securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other securities are recognised in the profit and loss account. Profits and losses on disposal of other securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

From 1st January 2005 onwards:

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including interest and dividend income are included in the profit and loss account under other operating income/expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as other operating income/ expenses. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade receivables is described in note 1(l).

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(n) Advertising and promotion costs

Advertising and promotion costs incurred net of reimbursements from suppliers are charged to the profit and loss account in the year in which they are incurred.

(o) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made by the Group for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

Pursuant to the relevant regulations of the governments in Malaysia, Mainland China, the Philippines, Australia and Singapore, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes (the "Schemes") whereby these subsidiaries are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to the salary scale, as stipulated under the requirements in respective countries. The governments of respective countries are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes. Contributions under the Schemes are charged to the profit and loss account as incurred.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(iii) Pension obligations (continued)

Subsidiaries in Hong Kong operate defined contribution schemes. Monthly contributions made by subsidiaries are at fixed sums agreed between the subsidiaries and each qualified employee while the monthly contributions made by the employees are determined by respective qualified employees. Monthly contributions made by the subsidiaries in Hong Kong are calculated based on certain percentages of the applicable payroll costs on fixed sums as stipulated under the relevant requirements, as appropriate. Additional contributions to the schemes are at fixed sums payable monthly and agreed between the subsidiaries and the relevant employees. The assets of the schemes in Hong Kong are held separately from those of subsidiaries in independently administered funds. Contributions to the schemes are charged to the profit and loss account as incurred.

(iv) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(s) Pre-operating costs

Pre-operating costs are expensed in the year in which they are incurred.

(t) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent primarily corporate expenses and gain/loss on financial assets at fair value through profit or loss and derivative financial instruments. 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 leasehold land, fixed assets, inventories, trade receivable, other receivables and prepayments and operating cash, and mainly exclude unallocated goodwill, financial assets at fair value through profit or loss, derivative financial instruments, intangible assets, tax recoverable, deferred tax assets and non-operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation payable, deferred tax liabilities and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the company operates. Total assets and capital expenditure are where the assets are located. Sales between the geographical segments are eliminated.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(w) Income/revenue recognition

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

(i) Revenue from sale of mobile phones and accessories

Revenue from the sale of mobile phones and accessories is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the mobile phones and accessories are delivered to customers and title has passed. Rebates from suppliers relating to purchase of mobile phones are deducted against the purchase costs of mobile phones.

(ii) Revenue from the provision of inter-city/international telecommunication services using Voice-over-IP ("VoIP") technology

Revenue from the provision of inter-city/international telecommunication services using VoIP technology in the form of sale of prepaid calling cards is recognised based on the usage of cardholders.

(iii) Repair service income

Revenue from the provision of repair services for mobile phones is recognised when the services are rendered.

(iv) Rental income

Rental income is recognised on a straight-line basis over the period of each lease.

(v) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(i) Market risk

(1) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts.

(2) Price risk
The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss.

(ii) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via credit cards.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

2 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

(b) Accounting for derivative financial instruments and hedging activities

From 1st January, 2004 to 31st December, 2004:

Derivative financial instruments are designated as 'hedging' or 'non-hedging' instruments. The transactions that, according to the Group's policy for risk management, are able to meet the conditions for hedge accounting are classified as hedging transactions. The Group records derivative financial instruments at cost. The gains and losses on derivative financial instruments are included in the profit and loss account on maturity to match the underlying hedged transactions where relevant.

For foreign exchange instruments designated as hedges, the premium (or discount) representing the difference between the spot exchange rate at the inception of the contract and the forward exchange rate is included in the profit and loss account, as financial income and expenses, in accordance with the accrual method.

From 1st January, 2005 onwards:

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account under other operating income/expenses.

2 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of available-for-sale financial assets at balance sheet date is determined by the Directors based on the valuation carried out by a professional valuer (note 3(a)(iii)). The fair value of forward foreign exchange contracts is determined using quoted forward exchange market rates at the balance sheet date.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(e)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 14).

If the revised gross margin at 31st December, 2006 had been 10% lower than management's estimates at 31st December, 2005, the carrying value of goodwill would still be above its recoverable amount.

If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the carrying amount of goodwill would still be above its recoverable amount.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Estimate of fair value of available-for-sale financial asset

The Group recognises its investment in an unlisted company as available-for-sale financial asset (note 18) which is stated at fair value as at 31st December, 2005. The fair value of the available-for-sale financial asset is determined by the Directors based on a valuation carried out by a professional valuer, using the discounted cash flow valuation techniques.

The valuation uses cash flow projections based on financial information provided by management covering a five-year period. Cash flows during the five-year period are extrapolated using the key assumptions stated below.

Key assumptions used for the valuation:

Average growth rate	10%
Average net profit margin	5%
Discount rate	16%

The projected growth rate and projected net profit margin are determined based on the unlisted company's expectations for the market development. The discount rate used is after-tax and reflects specific risks relating to this unlisted company. Terminal value for cash flows beyond the five-year period are extrapolated using a perpetuity growth rate of 2.25%.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Critical judgement in applying the Group's accounting policies

Available-for-sale financial asset

The Group acquired a 19.9% equity interest of an unlisted company in October 2005 (note 18). In making its judgement as to classification of this unlisted investment, the Group considered that it has no representation on the board of directors of the unlisted company since acquisition. In addition, the Group does not participate in any policy-making processes of the unlisted company since acquisition. As such, the Directors of the Company consider that no significant influence can be exercised by the Group over the unlisted company and it is therefore appropriate to recognise its investment in the unlisted company as available-for-sale financial asset.

4 TURNOVER, INCOME, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading and distribution of mobile phones and accessories and the provision of inter-city/international telecommunication services using VoIP technology.

Turnover represents invoiced value of sales of mobile phones and accessories, and airtime using VoIP technology to customers, net of returns, discounts allowed, value-added tax or sales tax where applicable. Revenues recognised during the year are as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Revenue from sales of mobile phones and accessories, net	**6,642,335**	6,082,062
Revenue from provision of telecommunication services using VoIP technology, net	**76,085**	101,069
	6,718,420	6,183,131
Other income/revenues		
Interest income	**9,095**	5,106
Rental income	**3,449**	917
Repair service income, net	**6,220**	4,902
Other income	**217**	–
	18,981	10,925
Total revenues	**6,737,401**	6,194,056

4 TURNOVER, INCOME, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments

The Group's segment revenues, expenses, results, assets and liabilities are primarily attributable to trading and distribution of mobile phones and accessories, and provision of inter-city/international telecommunication services using VoIP technology.

Other operations of the Group include retailing of mobile phones and accessories, provision of repair services for mobile phones and holding of properties, all of which are of insufficient size to be reported separately.

The analysis of the Group's segment information for the year ended 31st December, 2005 by business segment is as follows:

	Sales of mobile phones and accessories		Revenue from provision of telecommunication services using VoIP technology		Consolidated	
	2005 HK$'000	Restated 2004 HK$'000	2005 HK$'000	Restated 2004 HK$'000	2005 HK$'000	Restated 2004 HK$'000
Turnover	**6,642,335**	6,082,062	**76,085**	101,069	**6,718,420**	6,183,131
Segment results	**95,428**	158,743	**(4,422)**	(17,146)	**91,006**	141,597
Interest income					**9,095**	5,106
Unallocated income and expenses, net					**(18,978)**	(22,355)
Operating profit					**81,123**	124,348
Finance costs					**(45,368)**	(32,796)
Profit before taxation					**35,755**	91,552
Taxation					**(29,432)**	(40,098)
Profit for the year					**6,323**	51,454

4 TURNOVER, INCOME, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

	Sales of mobile phones and accessories		Revenue from provision of telecommunication services using VoIP technology		Consolidated	
	2005 HK$'000	Restated 2004 HK$'000	2005 HK$'000	Restated 2004 HK$'000	2005 HK$'000	Restated 2004 HK$'000
Segment assets	**2,270,614**	1,965,972	**16,856**	40,848	**2,287,470**	2,006,820
Unallocated corporate assets					**196,427**	170,897
Consolidated total assets					**2,483,897**	2,177,717
Segment liabilities	**(1,601,625)**	(1,310,958)	**(13,748)**	(29,253)	**(1,615,373)**	(1,340,211)
Unallocated corporate liabilities					**(50,885)**	(24,493)
Consolidated total liabilities					**(1,666,258)**	(1,364,704)
Capital expenditure	**6,844**	8,247	**588**	512	**7,432**	8,759
Depreciation and amortisation	**12,652**	16,025	**3,496**	3,581	**16,148**	19,606
Impairment of trade receivable	**36,571**	4,983	**256**	2,578	**36,827**	7,561
Impairment of inventories	**38,584**	41,855	**–**	–	**38,584**	41,855
Impairment of fixed asset	**–**	–	**–**	625	**–**	625

4 TURNOVER, INCOME, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

Although the Group's business segments are managed on a worldwide basis, they operate in five main geographical areas:

Hong Kong	–	trading and distribution of mobile phones and accessories.
	–	retailing of mobile phones and accessories.
Malaysia	–	trading and distribution of mobile phones and accessories.
	–	retailing of mobile phones and accessories.
The Philippines	–	trading and distribution of mobile phones and accessories.
Mainland China	–	trading and distribution of mobile phones and accessories.
Taiwan	–	trading and distribution of mobile phones and accessories.

	Turnover 2005 HK$'000	Total assets 2005 HK$'000	Capital expenditure 2005 HK$'000
Hong Kong	5,466,171	1,326,234	3,088
Malaysia	715,675	722,266	1,174
The Philippines	82,986	55,869	194
Mainland China	172,776	106,907	–
Taiwan	66,435	25,309	1,027
Other countries	214,377	50,885	1,949
	6,718,420	2,287,470	7,432
Unallocated assets		196,427	
Total assets/capital expenditure		2,483,897	7,432

4 TURNOVER, INCOME, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments (continued)

	Turnover 2004 HK$'000	Restated Total assets 2004 HK$'000	Capital expenditure 2004 HK$'000
Hong Kong	4,655,582	1,221,135	1,337
Malaysia	985,236	504,650	4,212
The Philippines	105,903	47,377	166
Mainland China	89,783	78,314	–
Taiwan	66,994	66,314	63
Other countries	279,633	89,030	2,981
	6,183,131	2,006,820	8,759
Unallocated assets		170,897	
Total assets/capital expenditure		2,177,717	8,759

5 COST OF SALES

	2005 HK$'000	2004 HK$'000
Cost of sales comprises:		
Cost of inventories sold	**6,216,672**	5,650,853
Other direct costs	**114,085**	124,163
Provision for impairment of inventories	**38,584**	41,855
	6,369,341	5,816,871

6 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2005 HK$'000	Restated 2004 HK$'000
Crediting		
Exchange gain, net #	–	8,800
Gain on disposal/dissolution of subsidiaries #	3,673	2,941
Unrealised gain on financial assets at fair value through profit or loss #	12	39
Charging		
Amortisation of intangible assets #	3,089	6,952
Amortisation of leasehold land	572	573
Auditors' remuneration		
– current year	2,476	3,308
– (over)/under provision in prior years	(2)	398
Depreciation		
– owned fixed assets	11,149	10,950
– leased fixed assets	1,338	1,131
Exchange losses, net #	3,589	–
Impairment of fixed assets	–	625
Loss on derivative financial instruments at fair value #	4,796	7,608
Loss on disposal of fixed assets #	1,171	138
Operating leases		
– land and buildings	18,450	11,718
– office equipment	430	209
Pre-operating costs	62	218
Provision for impairment of trade receivable	36,827	7,561
Provision for cessation of operations #	10,571	–
Staff costs (including Directors' remuneration (note 13) and retirement benefit costs (note 12))	102,907	104,861

These are included in other operating income/expenses

7 FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest expenses on:		
– bank loans and overdrafts wholly repayable within five years	33,074	20,769
– finance leases not wholly repayable within five years	171	195
Bank and other charges	12,123	11,832
	45,368	32,796

8 TAXATION

	2005 HK$'000	Restated 2004 HK$'000
Company and subsidiaries		
Hong Kong profits tax (note (i))	**13,385**	14,142
Overseas taxation (note (ii))	**21,495**	26,765
(Over)/under provision of taxation in prior years	**(2,505)**	1,169
Deferred taxation (note 29)	**(2,943)**	(1,978)
	29,432	40,098

NOTES:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

(ii) Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable profits tax rate prevailing in the main country in which the Group operates and the difference is set out as follows:

	2005 HK$'000	Restated 2004 HK$'000
Profit before taxation	**35,755**	91,552
Calculated at a tax rate of 17.5% (2004: 17.5%)	**6,257**	16,022
Effect of different taxation rates in other countries	**2,234**	6,555
Income not subject to taxation	**(1,140)**	(87)
Expenses not deductible for taxation purposes	**11,393**	6,406
Utilisation of previously unrecognised tax losses	**(3,100)**	(1,648)
(Over)/under provision in prior years	**(2,505)**	1,169
Tax losses not recognised	**16,293**	11,681
Taxation charge	**29,432**	40,098

9 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the accounts of the Company to the extent of HK$2,244,000 (2004: HK$16,664,000).

10 EARNINGS PER SHARE

Basic earnings per share for the year is calculated based on the profit attributable to equity holders of the Company of HK$8,498,000 (restated 2004: HK$58,568,000) and on the weighted average of 1,945,696,565 (2004: 1,945,696,565) shares in issue during the year.

The Company has no dilutive potential shares as at 31st December, 2005 (2004: None).

11 DIVIDEND

	2005 HK$'000	2004 HK$'000
2004 final, paid of HK0.5 cent per share	–	9,728

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2005.

12 RETIREMENT BENEFIT COSTS

	2005 HK$'000	2004 HK$'000
Retirement benefit costs	5,836	5,932

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated by the governments of respective countries and the defined contribution schemes operated in Hong Kong (collectively the "Retirement Schemes"). Contributions totalling approximately HK$222,000 (2004: HK$981,000) payable to the Retirement Schemes at the year end are included in other payables and accrued charges.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December, 2005 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Ng Kok Hong	–	4,030	250	1,310	12	5,602
Mr. Ng Kok Tai	–	1,923	250	–	119	2,292
Mr. Ng Kok Yang	–	2,470	250	772	12	3,504
Mr. See Tak Wah (appointed on 1st July, 2005)	100	–	–	–	–	100
Mr. Wu Wai Chung Michael	300	–	–	–	–	300
Mr. Wong Tin Sang Patrick	300	–	–	–	–	300
Mr. Sze Tsai To Robert (resigned on 1st July, 2005)	150	–	–	–	–	150
	850	8,423	750	2,082	143	12,248

The remuneration of every Director for the year ended 31st December, 2004 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Ng Kok Hong	–	4,030	600	1,298	12	5,940
Mr. Ng Kok Tai	–	1,917	600	–	118	2,635
Mr. Ng Kok Yang	–	2,470	600	718	12	3,800
Mr. Sze Tsai To Robert	300	–	–	–	–	300
Mr. Wu Wai Chung Michael	300	–	–	–	–	300
Mr. Wong Tin Sang Patrick	300	–	–	–	–	300
	900	8,417	1,800	2,016	142	13,275

The quarters provided to two executive Directors are included as part of their emoluments.

132,125,000 share options were granted to the three executive Directors under the pre-listing share option plan (the "Pre-Listing Share Option Plan") approved and adopted by the written resolutions of the shareholders of the Company dated 15th December, 2000. Under the Pre-Listing Share Option Plan, each option holder is entitled to subscribe to the specified number of shares in the Company at HK$0.82 each in stages commencing six months from 29th December, 2000 (the "Listing Date") and in any stages, no later than three years from the date of the exercise of the options. Options to subscribe for 66,062,500 Shares lapsed during the year ended 31st December, 2005 due to the expiry of the option period in accordance with the terms of the Pre-Listing Share Option Plan. During the year, no options had been exercised by the Directors.

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

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

	2005 HK$'000	2004 HK$'000
Directors	**11,398**	12,375
Employees	**2,930**	4,734
	14,328	17,109

Details of the aggregate emoluments paid and payable to the employees are as follows:

	2005 HK$'000	2004 HK$'000
Salaries, allowances and benefits in kind	**2,712**	3,240
Bonuses	**194**	1,449
Retirement benefit costs	**24**	45
	2,930	4,734

The emoluments of employees fell within the following bands:

	Number of individuals	
Emolument bands	2005	2004
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
	2	2

Save as disclosed above, during the year, no other emoluments had been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

14 INTANGIBLE ASSETS

	Group		
	Goodwill (note (i)) HK$'000	Distribution right (note (ii)) HK$'000	Total HK$'000
Cost			
At 1st January, 2005	19,384	12,300	31,684
Exchange differences	–	83	83
Opening balance adjustment to eliminate accumulated amortisation	(9,692)	–	(9,692)
Disposal of subsidiaries	(1,938)	–	(1,938)
At 31st December, 2005	**7,754**	**12,383**	**20,137**
Accumulated amortisation			
At 1st January, 2005	9,692	4,869	14,561
Exchange differences	–	40	40
Eliminated against cost at 1st January, 2005	(9,692)	–	(9,692)
Charge for the year	–	3,089	3,089
At 31st December, 2005	**–**	**7,998**	**7,998**
Net book value			
At 31st December, 2005	**7,754**	**4,385**	**12,139**
Cost			
At 1st January, 2004 and 31st December, 2004	19,384	12,300	31,684
Accumulated amortisation			
At 1st January, 2004	5,815	1,794	7,609
Charge for the year	3,877	3,075	6,952
At 31st December, 2004	9,692	4,869	14,561
Net book value			
At 31st December, 2004	9,692	7,431	17,123

NOTES:

(i) It represents goodwill arising from the acquisition of Chi Telecom Pty Ltd and Chi Tel Limited and is amortised over a period of 5 years on a straight-line basis prior to 1st January, 2005 (note 1(b)(ii)). Pursuant to the sales and purchase agreement dated 29th September, 2005, the Group's equity interest in Chi Tel Limited was disposed of and the related goodwill balance of HK$1,938,000 was charged to the consolidated profit and loss account.

(ii) It represents acquired distribution right of mobile phones and is amortised over a period of 4 years on a straight-line basis.

14 INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

The recoverable amount of the goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flow beyond the five-year period are extrapolated using zero growth rates.

Key assumptions used for value-in-use calculations:

	2005	2004
– Gross margin	**38%**	40%
– Discount rate	**7%**	7%

Management determined budgeted gross margin based on past performance and its expectations for the market. The discount rate used is pre-tax and reflects specific risks related to the VoIP business.

15 LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
		Restated
	2005 HK$'000	2004 HK$'000
In Hong Kong and held on leases of between 10 to 50 years	**23,735**	24,307

Bank borrowings are secured on land for the carrying amount of HK$23,288,000 (restated 2004: HK$23,850,000) (Note 28(g)).

	Group	
		Restated
	2005 HK$'000	2004 HK$'000
At 1st January	**24,307**	24,880
Amortisation	**572**	573
At 31st December	**23,735**	24,307

16 FIXED ASSETS

	Group					
	Freehold properties HK$'000	Leasehold buildings HK$'000	Leasehold improve-ments HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost						
At 1st January, 2005, as previously reported	16,413	48,630	5,944	12,813	52,022	135,822
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	912	(29,050)	–	–	–	(28,138)
At 1st January, 2005, as restated	17,325	19,580	5,944	12,813	52,022	107,684
Exchange differences	(289)	–	(17)	22	(251)	(535)
Additions	–	–	2,571	171	4,690	7,432
Acquisition of subsidiaries	–	–	1,099	–	343	1,442
Disposals	(6,229)	–	(878)	(314)	(2,376)	(9,797)
Disposal of subsidiaries	–	–	–	(87)	(6,698)	(6,785)
At 31st December, 2005	**10,807**	**19,580**	**8,719**	**12,605**	**47,730**	**99,441**
Accumulated depreciation and impairment losses						
At 1st January, 2005, as previously reported	–	–	4,044	8,165	26,583	38,792
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	702	4,929	–	–	–	5,631
At 1st January, 2005, as restated	702	4,929	4,044	8,165	26,583	44,423
Exchange differences	(37)	–	5	29	(398)	(401)
Charge for the year	108	784	1,543	2,008	8,044	12,487
Disposals	(714)	–	(241)	(83)	(1,001)	(2,039)
Disposal of subsidiaries	–	–	–	–	(4,251)	(4,251)
At 31st December, 2005	**59**	**5,713**	**5,351**	**10,119**	**28,977**	**50,219**
Net book value						
At 31st December, 2005	**10,748**	**13,867**	**3,368**	**2,486**	**18,753**	**49,222**

16 FIXED ASSETS (continued)

	Group					
	Freehold properties HK$'000	Leasehold buildings HK$'000	Leasehold improve-ments HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost						
At 1st January, 2004, as previously reported	16,759	33,110	4,829	12,255	45,305	112,258
Effect on changes in accounting policy on freehold and leasehold properties (note 2(b)(i))	358	(13,530)	–	–	–	(13,172)
At 1st January, 2004, as restated	17,117	19,580	4,829	12,255	45,305	99,086
Exchange differences	208	–	3	55	795	1,061
Additions	–	–	1,112	960	6,687	8,759
Disposals	–	–	–	(457)	(70)	(527)
Disposal of a subsidiary	–	–	–	–	(695)	(695)
At 31st December, 2004	17,325	19,580	5,944	12,813	52,022	107,684
Accumulated depreciation and impairment losses						
At 1st January, 2004, as previously reported	–	–	3,382	6,081	18,161	27,624
Effect on changes in accounting policy on freehold and leasehold properties (note 2(b)(i))	445	4,147	–	–	–	4,592
At 1st January, 2004, as restated	445	4,147	3,382	6,081	18,161	32,216
Exchange differences	–	–	5	12	370	387
Charge for the year	257	782	657	2,256	8,129	12,081
Disposals	–	–	–	(184)	(48)	(232)
Disposal of a subsidiary	–	–	–	–	(654)	(654)
Impairment change	–	–	–	–	625	625
At 31st December, 2004	702	4,929	4,044	8,165	26,583	44,423
Net book value						
At 31st December, 2004	16,623	14,651	1,900	4,648	25,439	63,261

16 FIXED ASSETS (continued)

The Group's interests in freehold and leasehold buildings, located in and outside Hong Kong, are analysed at their net book values as follows:

	Group			
	Freehold properties		Leasehold buildings	
	2005 HK$'000	Restated 2004 HK$'000	2005 HK$'000	Restated 2004 HK$'000
In Hong Kong				
Leases between 10 to 50 years	**–**	–	**13,867**	14,651
Outside Hong Kong				
Freehold	**10,748**	16,623	**–**	–
At 31st December	**10,748**	16,623	**13,867**	14,651

The net book value of assets under finance leases is HK$1,623,000 (2004: HK$2,883,000).

At 31st December, 2005, certain freehold properties and leasehold buildings with an aggregate net book value of approximately HK$22,999,000 (restated 2004: HK$29,586,000) have been pledged to banks to secure the Group's banking facilities (note 28(g)).

17 INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 HK$'000	Restated 2004 HK$'000
Unlisted shares, at cost (note (i))	**159,823**	159,823
Amounts due from subsidiaries (note (ii))	**412,739**	366,205

NOTE:

(i) Particulars of principal subsidiaries are set out in note 34 to the accounts.

(ii) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. The carrying value of balances due from subsidiaries approximate their fair value.

18 AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group 2005 HK$'000
At 1st January, 2005 and 2004	–
Addition	63,009
Revaluation surplus recognised in equity (Note 27)	1,991
At 31st December, 2005	65,000
Representing:	
Unlisted investment	65,000

Available-for-sale financial asset represents the Group's 19.9% equity interest in Ace River Investments Limited ("ARI"), an investment holding company which holds a 100% equity interest in Advanced Wireless Group Limited ("AWG"), and is carried at fair value as at 31st December, 2005 (note 3(a)(iii)).

AWG is an Original Design Manufacturing/Original Equipment Manufacturing manufacturer that is principally engaged in the design, development, manufacturing and distribution of communication equipment and devices.

19 INVENTORIES

	Group	
	2005 HK$'000	2004 HK$'000
Merchandises, at cost	437,695	459,166
Provision for impairment	(60,713)	(34,905)
	376,982	424,261

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2005 HK$'000	2004 HK$'000
Equity securities, at fair value		
– listed outside Hong Kong	116	116
Money market fund, at fair value		
– unlisted	511	571
	627	687
Market value of listed securities	116	116

The above financial instruments are held for trading. Equity securities listed outside Hong Kong are denominated in Malaysian Ringgit ("M$") and unlisted money market fund is denominated in Euro.

Financial assets at fair value through profit or loss are presented as operating activities as part of changes in working capital in the consolidated cash flow statement (note 30(a)).

Changes in fair value of financial assets at fair value through profit or loss are reflected in other operating income in the consolidated profit and loss account (note 6).

21 TRADE RECEIVABLE

The normal credit period granted to the customers of the Group is up to 90 days, except for sales made to certain credit worthy customers to which a slightly longer credit period may be granted.

At 31st December, 2005, the ageing analysis of the trade receivable was as follows:

	Group	
	2005 HK$'000	2004 HK$'000
1-30 days	**529,019**	397,924
31-60 days	**375,436**	305,607
61-90 days	**167,709**	221,209
91-120 days	**11,943**	22,062
Over 120 days	**116,246**	57,741
Less: provision for impairment	**(64,113)**	(29,894)
	1,136,240	974,649

There is no concentration of credit risk with respect to trade receivable, as the Group has a large number of customers, internationally dispersed.

22 BANK BALANCES AND CASH

(a) Bank balances and cash as at 31st December, 2005 of approximately HK$52,982,000 (2004: HK$11,395,000), HK$347,887,000 (2004: HK$208,931,000), HK$817,000 (2004: HK$2,645,000) and HK$552,000 (2004: HK$2,390,000) were denominated in Renminbi ("RMB"), M$, New Taiwan Dollar ("TWD") and Indian Rupees respectively. These amounts are not freely convertible to other currencies except for settlement of purchase of goods and other provisions as stipulated in the exchange control policies of the respective countries.

(b) Bank balances and cash as at 31st December, 2005 of approximately HK$387,692,000 (2004: HK$387,354,000) were fixed deposits pledged as collateral for the Group's short-term banking facilities.

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The carrying amounts of bank balances and cash approximate their fair value.

23 TRADE PAYABLE

At 31st December, 2005, the ageing analysis of the trade payable was as follows:

	Group	
	2005 HK$'000	2004 HK$'000
1-30 days	**260,815**	186,120
31-60 days	**86,159**	130,889
61-90 days	**287,081**	44,849
91-120 days	**6,452**	45,399
Over 120 days	**60,959**	15,695
	701,466	422,952

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
		Restated
	2005	2004
	HK$'000	HK$'000
Forward foreign exchange contracts	**3,147**	1,649

The carrying amounts of forward foreign exchange contracts approximate to their fair value. Changes in fair value of respective contracts during the year was charged to consolidated profit and loss account.

25 BANK LOANS AND OVERDRAFTS

	Group	
	2005	2004
	HK$'000	HK$'000
Short term bank loans, secured	**532,867**	548,534
Bank overdrafts, unsecured	**8,891**	10,498
	541,758	559,032

(a) Except for short term bank loans with carrying amount of HK$17,991,000 (2004: HK$19,935,000) which is denominated in RMB, all other bank loans and overdrafts are in HK$.

(b) Short-term bank loans and overdrafts are repayable within one year and the carrying amount of short-term bank loans and overdrafts approximate to their fair value.

(c) The effective interest rates at the balance sheet date were as follows:

	2005		2004	
	HK$	**RMB**	HK$	RMB
Short term bank loans	**5.8%**	**2.3%**	3.3%	1.2%
Bank overdrafts	**3.0%**	**–**	1.5%	–

(d) At 31st December, 2005, freehold properties and certain leasehold land and buildings of the Group with an aggregate net book value of approximately HK$46,287,000 (restated 2004: HK$53,436,000) have been pledged to banks to secure the Group's banking facilities (notes 15, 16 and 28).

26 SHARE CAPITAL

	Company	
	Number of shares of HK$0.10 each	HK$'000
Authorised:		
At 31st December, 2005 and 2004	3,000,000,000	300,000
Issued and fully paid:		
At 31st December, 2005 and 2004	1,945,696,565	194,570

There was no movement in share capital of the Company for the years ended 31st December, 2005 and 2004.

NOTE:

Share option schemes

Pursuant to the written resolutions of the shareholders of the Company dated 15th December, 2000, two share option schemes, namely pre-listing share option plan (the "Pre-Listing Share Option Plan") and share option scheme (the "2000 Share Option Scheme"), were approved and adopted.

At the annual general meeting held on 29th April, 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the operation of the 2000 Share Option Scheme. No options had been granted under the 2000 Share Option Scheme since its adoption on 15th December, 2000 and up to the date of its termination.

(i) *2003 Share Option Scheme*

Under the 2003 Share Option Scheme, the board of Directors (the "Board") or a duly authorised committee thereof which shall include the independent non-executive Directors (the "Committee") may, at its discretion, invite any participant (as defined in the 2003 Share Option Scheme), including any employee and any director of any company in the Group, to take up options at HK$1.00 per option to subscribe for shares in the Company (the "Shares") at the higher of (i) the closing price of the Shares as stated in the Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share. The total number of Shares which may be issued upon exercise of all options under the 2003 Share Option Scheme and the Pre-Listing Share Option Plan must not exceed 10% of the total number of Shares in issue as at the date of approval of the 2003 Share Option Scheme and as refreshed by members in general meeting in accordance with the terms of the 2003 Share Option Scheme.

Options granted under this scheme may be exercised within a period to be notified by the Board or the Committee to each grantee as being the period during which an option may be exercised, and in any event, such period shall not be longer than 10 years from the date of grant of the opinion.

The maximum number of Shares in respect of which options may be granted under the 2003 Share Option Scheme and any other share option schemes of the Company (including the Pre-Listing Share Option Plan) shall not exceed 30% of the total number of Shares in issue from time to time.

As at 31st December, 2005, no options under this scheme had been granted.

26 SHARE CAPITAL (continued)

NOTE: (CONTINUED)

Share option schemes (continued)

(ii) Pre-Listing Share Option Plan

The purpose of the Pre-Listing Share Option Plan is to recognise the contribution of certain Directors and employees to the growth of the Group and/or to the listing of the Shares on GEM of the Exchange on 29th December, 2000 (the "Listing Date"). On 15th December, 2000, the Company granted share options under the Pre-Listing Share Option Plan to the Directors and certain employees of the Group, which entitles them to subscribe for a total of 174,965,000 Shares at HK$0.82 per share. Pursuant to the Pre-Listing Share Option Plan, the 3 executive Directors were granted options to subscribe for an aggregate of 132,125,000 Shares, 11 senior management staff were granted options to subscribe for an aggregate of 37,502,500 Shares and 56 employees were granted options to subscribe for an aggregate of 5,337,500 Shares.

Each of the grantees to whom options have been granted under the Pre-Listing Share Option Plan will be entitled to exercise (i) 10% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 6 months from the Listing Date, (ii) 20% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 12 months from the Listing Date, (iii) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 18 months from the Listing Date, (iv) 25% of the options so granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 24 months from the Listing Date, and (v) the remaining 20% of the options granted to him/her (rounded down to the nearest whole number) at any time after the expiry of 30 months from the Listing Date and, in each case, not later than three years from the date of exercise of the options.

Following the adoption of the 2003 Share Option Scheme and the termination of the 2000 Share Option Scheme on 29th April, 2003, the outstanding options granted under the Pre-Listing Share Option Plan shall continue to be subject to the provisions of the Pre-Listing Share Option Plan and will not in any event be affected by the adoption and termination of the schemes.

Share options outstanding at the end of the year have the following terms:

Final expiry date	Exercise price	Number of options: Outstanding at 1st January 2005	Number of options: Lapsed during the year	Number of options: Outstanding at 31st December 2005	Vested percentage at 31st December 2005	Vested percentage at 31st December 2004
Directors						
30th June, 2006	HK$0.82	92,487,500	(66,062,500)	26,425,000	100%	100%
Senior management staff						
30th June, 2006	HK$0.82	3,675,000	(2,975,000)	700,000	100%	100%
Other employees						
30th June, 2006	HK$0.82	2,211,125	(1,705,375)	505,750	100%	100%
		98,373,625	(70,742,875)	27,630,750		

No options (2004: Nil) had been exercised or cancelled during the year ended 31st December, 2005.

27 RESERVES

Movements in the reserves during the year are set out below:

	Group								
	Share premium HK$'000	Properties revaluation reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Reserve fund (note (i)) HK$'000	Exchange reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January, 2005, as previously reported	127,258	12,531	3,989	162	4,872	(2,271)	–	478,724	625,265
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	–	(12,531)	–	–	–	–	–	5,333	(7,198)
Impact of adoption of HKFRS 3 (note 1(b)(ii))	–	–	–	(162)	–	–	–	162	–
Balance at 1st January, 2005, as restated	127,258	–	3,989	–	4,872	(2,271)	–	484,219	618,067
Exchange differences	–	–	–	–	–	3,898	–	–	3,898
Profit attributable to equity holders of the Company	–	–	–	–	–	–	–	8,498	8,498
Release of reserve upon disposal of subsidiaries	–	–	–	–	–	(12)	–	–	(12)
Surplus on revaluation of available-for-sale financial asset	–	–	–	–	–	–	1,991	–	1,991
2004 final dividend	–	–	–	–	–	–	–	(9,728)	(9,728)
Balance at 31st December, 2005	**127,258**	**–**	**3,989**	**–**	**4,872**	**1,615**	**1,991**	**482,989**	**622,714**
Retained by:									
Company and subsidiaries	127,258	–	3,989	–	4,872	1,615	1,991	482,989	622,714
Balance at 1st January, 2004, as previously reported	127,258	3,120	3,994	162	4,872	(233)	–	415,652	554,825
Effect on changes in accounting policy on freehold and leasehold properties (note 1(b)(i))	–	(3,120)	–	–	–	–	–	9,837	6,717
Balance at 1st January, 2004, as restated	127,258	–	3,994	162	4,872	(233)	–	425,489	561,542
Exchange differences	–	–	–	–	–	(1,033)	–	–	(1,033)
Profit attributable to equity holders of the Company, as restated	–	–	–	–	–	–	–	58,568	58,568
Release of reserves upon dissolution of subsidiaries	–	–	(5)	–	–	(1,005)	–	–	(1,010)
Balance at 31st December, 2004, as restated	127,258	–	3,989	162	4,872	(2,271)	–	484,057	618,067
Retained by:									
Company and subsidiaries	127,258	–	3,989	162	4,872	(2,271)	–	484,057	618,067
Representing:									
Reserves	127,258	–	3,989	162	4,872	(2,271)	–	474,329	608,339
Proposed final dividend	–	–	–	–	–	–	–	9,728	9,728
	127,258	–	3,989	162	4,872	(2,271)	–	484,057	618,067

27 RESERVES (continued)

	Company		
	Share premium (note (ii)) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January, 2005	287,000	48,628	335,628
Profit for the year	–	2,244	2,244
2004 final dividend	–	(9,728)	(9,728)
At 31st December, 2005	**287,000**	**41,144**	**328,144**
At 1st January, 2004	287,000	31,964	318,964
Profit for the year	–	16,664	16,664
At 31st December, 2004	287,000	48,628	335,628
Representing:			
Reserves	287,000	38,900	325,900
Proposed final dividend	–	9,728	9,728
	287,000	48,628	335,628

NOTE:

(i) In accordance with the relevant regulations in the People's Republic of China (the "PRC") applicable to wholly foreign owned enterprises, the PRC subsidiary of the Group is required to appropriate to the reserve fund an amount of not less than 10% of the amount of profit after taxation (based on figures reported in the statutory accounts). If the accumulated total of the reserve fund reaches 50% of the registered capital of the PRC subsidiary, the enterprise will not be required to make any further appropriation. The reserve fund may be used to reduce any losses incurred by the PRC subsidiary. The appropriation is made only at 31st December.

(ii) Pursuant to the Companies Law (1998 Revision) of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders. At 31st December, 2005, in the opinion of the Directors, the Company's reserves available for distribution to equity holders comprising share premium account and retained earnings, amounted in total to approximately HK$328,144,000 (2004: HK$335,628,000).

28 LONG-TERM LIABILITIES

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Secured bank loans (note (b) and (d))	**49,274**	7,310	**49,000**	–
Obligations under finance leases (note (c))	**1,400**	2,171	**–**	–
	50,674	9,481	**49,000**	–
Current portion of long-term liabilities	**(897)**	(4,131)	**–**	–
	49,777	5,350	**49,000**	–

NOTE:

(a) The analysis of the above is as follows:

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Bank loans				
Wholly repayable within five years	**49,274**	7,310	**49,000**	–
Obligations under finance leases				
Wholly repayable within five years	**1,196**	1,933	**–**	–
Not wholly repayable within five years	**204**	238	**–**	–
	50,674	9,481	**49,000**	–
Current portion of long-term liabilities	**(897)**	(4,131)	**–**	–
	49,777	5,350	**49,000**	–

(b) At 31st December, 2005, the bank loans were repayable as follows:

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Within one year	**274**	3,241	**–**	–
In the second year	**24,500**	273	**24,500**	–
In the third to fifth year	**24,500**	3,796	**24,500**	–
	49,274	7,310	**49,000**	–

28 LONG-TERM LIABILITIES (continued)

NOTE: (continued)

(c) At 31st December, 2005, the outstanding obligations under finance leases were repayable as follows:

	Group	
	2005 HK$'000	2004 HK$'000
Within one year	**752**	1,063
In the second year	**503**	687
In the third to fifth year	**414**	791
After the fifth year	**34**	77
	1,703	2,618
Future finance charges on finance leases	**(303)**	(447)
Present value of finance lease liabilities	**1,400**	2,171

The present value of finance lease liabilities was analysed as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**623**	890
In the second year	**428**	559
In the third to fifth year	**320**	658
After the fifth year	**29**	64
	1,400	2,171

(d) The carrying amounts of the borrowings are denominated in the following currencies:–

	Group		Company	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Australian Dollars ("A$")	**–**	3,797	**–**	–
Canadian Dollars ("C$")	**–**	83	**–**	–
HK$	**49,329**	3,735	**49,000**	–
M$	**1,237**	1,866	**–**	–
Philippines Peso ("P$")	**108**	–	**–**	–
	50,674	9,481	**49,000**	–

(e) The effective interest rates of the long-term liabilities at the balance sheet date were as follows:

	2005					2004				
	A$	**C$**	**HK$**	**M$**	**P$**	A$	C$	HK$	M$	P$
Bank loans	**–**	**–**	**5.8%**	**–**	**–**	7.0%	–	3.3%	–	–
Obligations under finance lease	**–**	**–**	**7.0%**	**3.8%**	**8.0%**	–	6.0%	7.0%	3.8%	–

28 LONG-TERM LIABILITIES (continued)

NOTE: (continued)

(f) The carrying amounts of long-term liabilities of the Group approximate their fair value.

(g) At 31st December, 2005, freehold land and certain leasehold land and buildings of the Group with an aggregate net book value of approximately HK$46,287,000 (restated 2004: HK$53,436,000) have been pledged to banks to secure the Group's banking facilities (notes 15 and 16).

29 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the net deferred tax assets account is as follows:

	Group	
		Restated
	2005	2004
	HK$'000	HK$'000
At 1st January	**5,166**	3,188
Deferred taxation credited to consolidated profit and loss account (note 8)	**2,943**	1,978
Disposal of subsidiaries	**79**	–
Exchange differences	**39**	–
At 31st December	**8,227**	5,166

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$136,378,000 (2004: HK$64,153,000) to carry forward against future taxable income, of which HK$1,053,000 and HK$142,000 will expire in 2006 and 2010 respectively.

29 DEFERRED TAXATION (continued)

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same taxation jurisdiction) during the year is as follows:

	Provisions		Accelerated tax depreciation		Tax losses		Others		Total	
	2005 HK$	2004 HK$	**2005 HK$**	2004 HK$	**2005 HK$**	2004 HK$	**2005 HK$**	2004 HK$	**2005 HK$**	2004 HK$
At 1st January	**7,549**	5,272	**(1,026)**	(1,655)	**132**	2,981	**(1,489)**	(3,410)	**5,166**	3,188
Charged/(credited) to consolidated profit and loss account	**4,133**	2,277	**73**	629	**416**	(2,849)	**(1,679)**	1,921	**2,943**	1,978
Disposal of subsidiaries	**(11)**	–	**90**	–	**–**	–	**–**	–	**79**	–
Exchange differences	**33**	–	**31**	–	**3**	–	**(28)**	–	**39**	–
At 31st December	**11,704**	7,549	**(832)**	(1,026)	**551**	132	**(3,196)**	(1,489)	**8,227**	5,166

	2005 HK$'000	Restated 2004 HK$'000
Deferred tax assets	**9,203**	5,589
Deferred tax liabilities	**(976)**	(423)
	8,227	5,166

The amounts shown in the balance sheet include the following:

	2005 HK$'000	Restated 2004 HK$'000
Deferred tax assets to be recovered after more than 12 months	**9,203**	5,589
Deferred tax liabilities to be settled after more than 12 months	**(976)**	(423)

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2005 HK$'000	Restated 2004 HK$'000
Operating profit	**81,123**	124,348
Depreciation and amortisation of leasehold land	**13,059**	12,654
Amortisation of intangible assets	**3,089**	6,952
Loss on disposal of fixed assets	**1,171**	138
Interest income	**(9,095)**	(5,106)
Unrealised gain on financial assets at fair value through profit and loss	**(12)**	(39)
Impairment of fixed assets	**–**	625
Gain on disposal/dissolution of subsidiaries	**(3,673)**	(2,941)
Operating profit before working capital changes	**85,662**	136,631
Decrease/(increase) in inventories	**14,266**	(88,314)
Increase in trade and other receivables and prepayments	**(186,033)**	(102,824)
Increase in bills payable	**36,088**	40,319
Increase in trade and other payables and accrued charges	**253,675**	164,803
Increase in derivative financial instruments	**1,498**	1,649
Cash generated from operations	**205,156**	152,264

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Minority interests		Loans and obligations under finance leases	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
At 1st January	**321,828**	321,828	**376**	7,272	**558,015**	572,192
Exchange differences	**–**	–	**742**	218	**(68)**	136
Minority's share of loss and exchange reserves	**–**	–	**(2,175)**	(7,114)	**–**	–
Disposal of subsidiaries	**–**	–	**1,412**	–	**–**	–
Inception of finance leases (note (c))	**–**	–	**–**	–	**234**	363
Interest element of finance leases charged to consolidated profit and loss account	**–**	–	**–**	–	**171**	195
Net cash inflow/(outflow) from financing	**–**	–	**–**	–	**25,189**	(14,871)
At 31st December	**321,828**	321,828	**355**	376	**583,541**	558,015

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions

(i) During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the contracts of HK$234,000 (2004: HK$363,000).

(ii) During the year, the Group acquired 19.9% equity interest in ARI at a consideration of HK$63,009,000, which was settled by assigning the outstanding debt owed by AWG to the Group of HK$30,009,000 and the Group's inventories at book value of HK$33,000,000 to ARI (note 18).

(d) Analysis of balances of cash and cash equivalents

	2005 HK$'000	2004 HK$'000
Bank balances and cash – not pledged	**304,850**	157,383
Unsecured bank overdrafts	**(8,891)**	(10,498)
	295,959	146,885

(e) Acquisition of subsidiaries

On 1st March, 2005, the Group acquired 100% interest in Unipearl Pacific Ltd and its subsidiaries, a retail chain selling mobile phones in Hong Kong and Singapore. The acquired business contributed revenue of HK$110 million and net loss of HK$9 million to the Group since acquisition. If the acquisition had occurred on 1st January, 2005, Group revenue would have been HK$115 million, and loss for the year would have been HK$10 million. Details of net assets acquired are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Net assets acquired		
Fixed assets	**1,442**	1,442
Trade and other receivables	**2,577**	2,577
Bank balances and cash	**462**	462
Trade and other payables	**(1,475)**	(1,475)
	3,006	3,006
Satisfied by cash	**3,006**	3,006

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Acquisition of subsidiaries (continued)

Analysis of the net outflow in respect of the acquisition of subsidiaries:

	2005 HK$'000	2004 HK$'000
Cash consideration	3,006	–
Bank balances and cash in hand acquired	(462)	–
Net cash outflow in respect of the acquisition of subsidiaries	2,544	–

There was no acquisition of subsidiary during the year ended 31st December, 2004.

(f) Disposal of subsidiaries

	2005 HK$'000	2004 HK$'000
Net assets disposed		
Goodwill	1,938	–
Fixed assets	2,534	–
Inventories	61	–
Trade receivable	9,199	–
Cash	133	–
Trade and other payables	(15,807)	–
Taxation payable	(644)	–
Bank loan	(68)	–
Deferred tax liabilities	(79)	–
Reserves	(12)	–
Minority interests	1,412	–
	(1,333)	–
Gain on disposal of subsidiaries	3,673	–
	2,340	–
Satisfied by consideration receivable (note 33(b))	2,340	–
Analysis of the net outflow in respect of the disposal of subsidiaries:		
Net outflow of cash and cash equivalents	(133)	–

There was no disposal of subsidiary during the year ended 31st December, 2004.

31 CONTINGENT LIABILITIES

	Company 2005 HK$'000	Company 2004 HK$'000
Facilities utilised under guarantees executed in favour of banks for securing banking facilities granted to subsidiaries	**769,147**	793,769

As at 31st December, 2005, the total guarantees executed in favour of banks for securing banking facilities granted to subsidiaries are HK$1,036,098,000 (2004: HK$984,166,000).

Management anticipates that no material liabilities will arise from the above bank guarantees in the ordinary course of business.

32 COMMITMENTS

(a) Commitments under operating leases

(i) At 31st December, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Office equipment	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Not later than one year	**11,571**	10,120	**70**	31
Later than one year and not later than five years	**6,271**	5,802	**236**	104
Later than five years	**–**	–	**24**	–
	17,842	15,922	**330**	135

(ii) At 31st December, 2005, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	2005 HK$'000	2004 HK$'000
Land and buildings		
Not later than one year	**152**	914
Later than one year and not later than five years	**–**	151
	152	1,065

(b) Other commitments

At 31st December, 2005, the Group had approximately HK$61,225,000 (2004: HK$53,498,000) outstanding forward exchange contracts to hedge against outstanding purchase orders denominated in foreign currencies.

33 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**21,590**	21,746
Post-employment benefit	**561**	435
	22,151	22,181

(b) On 29th September, 2005, First E-Pro Limited (the "Vendor"), an indirect wholly owned-subsidiary of the Company, entered into a sale and purchase agreement with China Huge International Limited (the "Purchaser") for the disposal of 70% equity interest in Chi Tel Global Holdings Limited ("CTGH"), an indirect subsidiary of the Company, for a total consideration of US$300,000 (approximately HK$2.3 million). The consideration shall be payable in cash or in kind in the form of VoIP telephony equipment to the value and condition acceptable to Vendor within six months from completion of the agreement. The Purchaser is a minority shareholder of certain subsidiaries of the Group.

34 PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that complete list of the particulars of all subsidiaries would be of excessive length and therefore the following list contains only the subsidiaries which principally affect the results or assets of the Group.

Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest		Principal activities
				2005	2004	
Direct subsidiary:						
E-Tech Resources Limited	British Virgin Islands	British Virgin Islands	10,000 shares of US$1 each	**100%**	100%	Investment holding and provision of management services
Indirect subsidiaries:						
[1] Chi Telecom Pty Ltd	Australia	Australia	1,175,100 ordinary shares of AUD1 each	**70%**	70%	Provision of telecommunication services using VoIP technology
[1] Chi Tel NZ Limited	New Zealand	New Zealand	100 ordinary shares of no par value	**70%**	70%	Provision of telecommunication services using VoIP technology

34 PRINCIPAL SUBSIDIARIES (continued)

	Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest 2005	Group's equity interest 2004	Principal activities
	Indirect subsidiaries: *(continued)*						
1	Contact Mobile Pte Ltd	Singapore	Singapore	10,000 ordinary shares of S$1 each	**100%**	100%	Sale of pre-pay cards for logo downloadings and trading of mobile phones
	East-Tel International Limited	Hong Kong	Hong Kong	20,000 shares of HK$1 each	**100%**	100%	Trading of mobile phones
	Exquisite Model Sdn. Bhd.	Malaysia	Malaysia	1,000,000 ordinary shares of RM1 each	**100%**	100%	Trading and retailing of mobile phones
	Evertech (H.K.) Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	After sales service for mobile phones
	First Asia Mobile, Inc.	Republic of the Philippines	Republic of the Philippines	12,500,000 shares of P1 each	**100%**	100%	Trading and distribution of mobile phones
	First E-Pro Limited	Hong Kong	Hong Kong	10,000 shares of HK$1 each	**100%**	100%	Investment holding
	First Mobile Group Sdn. Bhd.	Malaysia	Malaysia	500,000 ordinary shares of RM1 each	**100%**	100%	Trading and distribution of mobile phones
	First Mobile (North China) Limited	Hong Kong	Hong Kong	15,000 shares of HK$1 each	**100%**	100%	Investment holding
	First Telecom International Limited	Hong Kong	Hong Kong	50,000,000 ordinary shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
				3,019,944 non-voting deferred shares of HK$1 each	**–**	–	
1	Generation Mobile Pte. Ltd.	Singapore	Singapore	2 shares of S$1 each	**100%**	100%	Trading and distribution of mobile phones
	Lets Do Mobile Philippines Inc.	Republic of the Philippines	Republic of the Philippines	992,500 shares of P1 each	**100%**	100%	Trading and distribution of mobile phones
	Mobile City (Hong Kong) Limited	Hong Kong	Hong Kong	1 share of HK$1 each	**100%**	–	Retailing of mobile phones and related products

34 PRINCIPAL SUBSIDIARIES (continued)

Company	Country/place of incorporation/ registration	Place of operation	Issued and fully paid up share capital/ registered capital	Group's equity interest 2005	Group's equity interest 2004	Principal activities
Indirect subsidiaries: *(continued)*						
[1] Mobile Concept International Limited	Taiwan	Taiwan	TWD5,000,000	**100%**	100%	Trading and distribution of mobile phones
Mobile Concept Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile Distribution (M) Sdn. Bhd.	Malaysia	Malaysia	200,000 ordinary shares of RM1 each	**100%**	100%	Trading and distribution of mobile phones
Mobile Distribution Inc.	Republic of the Philippines	Republic of the Philippines	5,000 shares of P1 each	**100%**	100%	Trading and distribution of mobile phones
[1] Mobileperformances SARL	France	France	850 shares of 10 Euro each	**100%**	100%	Trading of mobile phones
Powercom (Hong Kong) Limited	Hong Kong	Hong Kong	2 shares of HK$1 each	**100%**	100%	Trading and distribution of mobile phones
[1] Precision SARL	France	France	850 shares of 10 Euro each	**100%**	100%	Trading of mobile phones
Shanghai Fast Telcon Equipment International Trading Co., Ltd.	The People's Republic of China	The People's Republic of China	US$7,650,000	**100%**	100%	Trading and distribution of mobile phones

[1] *Subsidiaries not audited by PricewaterhouseCoopers*

The aggregate net assets, turnover and loss before taxation of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 14.1%, 4.1% and -172% (2004: 11.4%, 4.3% and -16.7%) of the Group's net assets, turnover and profit before taxation respectively.

35 COMPARATIVE FIGURES

Certain comparative figures have been restated or re-classified as a result of the changes in accounting policies (Note 1).

36 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 21st March, 2006.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	2001 HK$'000	2002 HK$'000	2003 HK$'000	Restated 2004 HK$'000	**2005 HK$'000**
Turnover	5,329,555	6,272,570	6,191,951	6,183,131	**6,718,420**
Operating profit	225,523	176,909	117,048	124,348	**81,123**
Finance costs	(15,823)	(31,643)	(33,051)	(32,796)	**(45,368)**
Share of profit/(loss) of jointly controlled entities	–	190	(166)	–	**–**
Profit before taxation	209,700	145,456	83,831	91,552	**35,755**
Taxation	(49,109)	(36,832)	(26,243)	(40,098)	**(29,432)**
Profit after taxation	160,591	108,624	57,588	51,454	**6,323**
Minority interests	2,825	(155)	(2,144)	7,114	**2,175**
Profit attributable to equity holders of the Company	163,416	108,469	55,444	58,568	**8,498**
Dividends	35,000	38,914	–	9,728	**–**

CONSOLIDATED ASSETS AND LIABILITIES

	2001 HK$'000	2002 HK$'000	2003 HK$'000	Restated 2004 HK$'000	**2005 HK$'000**
Non-current assets	65,414	97,396	113,285	110,280	**159,299**
Current assets	1,357,118	1,696,529	1,805,026	2,067,437	**2,324,598**
Current liabilities	821,968	1,035,183	1,151,628	1,358,931	**1,615,505**
Non-current liabilities	94,286	40,406	10,016	5,773	**50,753**
Shareholders' funds/total equity	503,876	713,651	749,395	813,013	**817,639**

NOTES:

The above financial summary as of and for the years ended 31st December, 2004 and 2005 have been extracted from the audited accounts of the Group as set out on pages 31 to 33 of the annual report.

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